

*for Geoffrey*

*thank you*

**competitive strategies and structures  
in three New Zealand industries  
through a postmodern lens**

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## ABSTRACT

This thesis is a description of an emergent inquiry which extends the methodological, theoretical, and philosophical conventions which have become entrenched within the strategic management literature. The purpose of the research is to use a postmodern sensibility to describe historical events gleaned from first-person accounts in an attempt to present 'insider views' of managing in a de-regulating economy in a globalizing world. The research is located within the New Zealand experiment of economic, political, and social change during the 1980s and 90s.

The postmodern sensibility has impacted most clearly in the production of this document. The thesis is an example of alternative forms and structures and contents not usually found within the strategic management literature. A processual, reflexive method is used to construct a sense-making narrative which connects the tales of three journeys; managerial, researcher and academic. Postmodern concerns of 'discourse', 'fragmented identities' and 'research as resistance' are used to link the three forms of knowledge production; managerial, researcher, strategic management.

Managers from three New Zealand industries, footwear manufacturing, wine and printing, were interviewed to gain an 'insider view' of firm strategy and industry structure. Although a diversity of issues emerged during the research, I decided that each industry story would privilege one aspect of common threads which I perceived in all of the industries, but which had 'emerged' more strongly in a particular industry during this interpretative research project.

The distinct conclusion that strategy is a journey not a destination as suggested in most of the strategic management literature was evident as the footwear manufacturers retreated from volume. Most managers in this study appear to be intent on continuing the journey rather than arriving at a destination. That cooperation *and* competition are necessary for industry survival in a de-regulating economy was most evident in the wine industry. It is obvious that a gap exists between the strategic management discourse and the practices and values of managers in this study. Cooperation\competition appears more significant than competition for industry survival in this small society. Rather than ONE designated strategy, firms are dedicated to a diversity of generic strategy combinations in order to survive in a globalizing economy. Keeping the strategic journey going by 'sustained adaptation' seemed the intention of most of the managers in this study, but especially those in the printing industries. The creation of flexibility within a competitive\cooperative environment is the imperative of firms and industries in this study.

## PREFACE

*Auckland, 2:00am Sept 1992*

*I am working on my coal-fired computer attempting to find a structure for the postmodern essay. I am suppose to be writing a theoretical paper, but the women's stories keep 'pushing to the front' of my mind, taking up all the space. I realise that I have to change the structure of the paper so that the theory becomes 'background', not the focus. It seems that after 'hearing' the stories about being a masters student, I have to 'tell' those stories. One place to 'tell' the tales is in a research paper. The originality of the research is obviously located in the stories not in my re-production of postmodern theory. It seems crystal clear that my purpose is, not just to collect the stories as verification of theoretical discussions, but to ensure that the stories themselves are 'heard' in another forum. I have been given 'knowledge' and I am expected to pass it on. I am the medium.*

*Christchurch, 2:00am Sept 1994*

*I am trying to make sense of what I am reading. Competitive Strategy by Michael E Porter is my introduction to the strategic management field; competition and strategy, industry and firm. On first reading, my view is that the 'American East-coast Business Ideals', as embodied in Competitive Strategy, are not applicable to New Zealand. Competition to gain a dominant marketshare is about large markets with assumed growth, that is not New Zealand, is it? I assume that the few large public companies might aspire to this model, but New Zealand is made up of small and medium size, often family owned businesses where cooperation is as important as competition. There are factors other than 'profit above the industry average' as a reason for being in business, aren't there? The only way to find out is to ask the managers, and listen to their stories.*

*Christchurch, 2:00pm Sept 1997*

*I read:*

*"The alternative traveler metaphor understands the interviewer as a traveler on a journey that leads to a tale to be told upon returning home. The interviewer-traveler wanders through the landscape and enters into conversations with the people encountered. The traveler explores the many domains of the country, as unknown territory or with maps, roaming freely around the territory. The traveler may also deliberately seek specific sites or topics by following a method, with the original Greek meaning of "a route that leads to the goal". The interviewer wanders along with the local inhabitants, asks questions that*

*lead the subjects to tell their own stories of their lived world, and converses with them in the original Latin meaning of conversations as "wandering together with."*

*What the traveling reporter hears and sees is described qualitatively and is reconstructed as stories to be told to the people of the interviewer's own country, and possibly also to those with whom the interviewer wandered. The potentialities of meaning in the original stories are differentiated and unfolded through the traveler's interpretations; the tales are remolded into new narratives, which are convincing in their aesthetic form and are validated through their impact upon the listeners.*

*The journey may not only lead to new knowledge; the traveler might change as well. The journey might instigate a process of reflection that leads the interviewer to new ways of self-understanding, as well as uncovering previously taken-for-granted values and customs in the traveler's home country. The transformative effects of traveling are expressed in the German term Bildungsreise - a scholarly, formative journey. Through conversations, the traveler can also lead others to new understanding and insights as they, through their own story-telling, may come to reflect on previously natural-seeming matters of course in their cultures...*

*....The traveler metaphor refers to a postmodern constructive understanding that involves a conversational approach to social research...."*

*Kvale writes with such eloquent simplicity, this is a description of the postmodern interpretative researcher, me!*

### **Planning the journey:**

This document is the story of the journeys which have followed from these three moments of 'entanglement'. The journey blends, works, weaves, contemplates, explores, demands that ideas and words find expression in a world which continues to move and to shift. The structure and the form of the telling has emerged from working with the different strands of knowledge, that created by the managers, that constructed in academic texts, and that shaped by my sense-making process.

As a Canadian who emigrated to New Zealand in 1988, I have an 'outsider view' of the country. I am aware that political, social and economic changes have taken place, but I have no personal experience of what came before.

I know that Porter's book which was published in 1980 was written in another time and another place so that the application of the ideas to New Zealand in 1995 may be problematic. However, Porter came to New Zealand, invited by the government in 1991, to 'audit' the country in light of his theory of a *Competitive Advantage of Nations*. His model is an updated version of the claim by Riccardo, regarding the 19th century world, that wealth could be created for nation-states based on natural resources, a comparative advantage. The Porter model, based on a research project which included 10 countries, claims that economic success follows the formation of industry 'clusters' which compete internationally by focusing on export markets thus gaining a competitive advantage.

*Upgrading New Zealand's Competitive Advantage* was the published version of his Report concerning the state of the New Zealand economy. I thought that the audit would verify my view of a nation of small businesses dependent on cooperation\competition. This appears to be so, as the cooperation\competition of the Rugby unions was used as an example of a model of a successful competitive 'cluster'. I did notice that the substance of the model did not seem to be too different from my observation of New Zealand business. However, after I finished the book, I still had the 'impression' that the recommendations of the Report focused on 'competition' as a 'winner take all' ideal??

Was I missing something? I assumed that the best way to clarify the situation was to talk with managers about their experiences in a de-regulating economy. When in doubt, go to the source.

### **Who's on first?**

This document can also be seen as a reflection on the New Zealand experience of 're-structuring'. My way of ordering and classifying the world is arbitrary at best and totally traditional at worst, a re-structuring not a 'building from scratch'. The major structural problem in telling this tale has been, and will continue to be, who's on first?

The contestability of the space for 'voice' within this document is the 'obvious' reflection of the contestability of the market. This thesis is not only *about* competition\ cooperation, it is an *expression* of competition\cooperation. It re-presents one version of the continuing, emerging, strategy for 'marketshare'; an expression of the view that strategy is a journey not a destination. Thinking of strategy as a journey is one of many breaks with strategic management tradition which will be found in this thesis.

This Preface is the second obvious break with the dominant strategic management research tradition. Instead of putting the managers in neat little 'black boxes' or tables or charts or in the

appendices, I will introduce you to the managers first. They are introduced at the beginning because I believe it is important to re-present the individual stories as a reminder that knowledge production is a process which emerges from human experience. Without the managers' tales, this document would not exist, because ideas are embodied in those who live the tale.

These mini-biographies are constructed from face to face interview material. Interviews occurred at the place of business in the major centres of activity in each of the industries studied. Interviews were audio tape-recorded. These tapes are the principal data source for this study and form the basis for future research as the tapes have been entrusted to me by the managers who participated. Each interview began with a set of questions for identification purposes (Appendix A), followed by questions which were lead-ins to 'conversations' which ranged far and wide depending on the manager. Most interviews were about one hour in duration, but many lasted longer as often the conversation was continued after the tape-recorder was turned off.

As confidentiality was assured, the biographies of the managers are an edited version of the information located on the tapes. However, in a small country such as New Zealand it may be that anonymity is not possible as it is with larger populations. Fictitious names have been chosen (<http://www.parentzone.com>) as a way of balancing the methodological paradox of public and private needs. The biographies follow the style of the conversations where the distinctions between the beliefs, strategies, and practices among the manager, the firm and the industry appeared to have nebulous boundaries. I think that these stories are important, as Porter and I agree that the firms create both industries and nations. The similarities and the differences of firms form the linkages which can be read as an industry or a nation. However, these stories are but one small slice of each tale which was told. My construction of the managerial tales is for the specific purpose of creating a context, providing the kinds of information which are usually available in a strategic management discussion such as firm size, market position, competitors and strategies. I also include 'relationships' which I found important in the process of co-creating my version of the industry from the stories which I 'witnessed'.

### **Strategic journeys in a declining industry:**

The footwear manufacturing industry was part of the review of a number of New Zealand industries in the early 1980s (more in Chapter 4). An Industry Development Plan (FIDP) recommended that the import licenses be discontinued, that tariffs be removed on selected items such as gumboots and childrens shoes, and that the remaining tariffs be reduced to the standard tariff of 15% by the year 2000. After a slow start this has been done. The managers in this study, with one exception, manufacture mens/womens/casual/fashion footwear. The twenty-three firms

represented about 90% of the manufacturers in the country at the time of the interviews in 1995. The balance of the industry manufactures specialist footwear, especially work and safety boots which are more difficult to substitute because of health and safety regulations. The manufacturers in my sample were the most vulnerable because of ‘cheap imports’ which had begun to flood the market.

Initial contact with the industry was through the EO and executive of the Footwear Manufacturers’ Federation who agreed to sponsor my research in exchange for an industry report. (Appendix B) The Federation’s letter of endorsement was sent with my letter seeking participation in the study (Appendix C). The interview request was followed up with a phone call to make an appointment. Of the twenty six firms contacted, three refused to take part in the research, one because of time pressure and two outright refusals.

Of all the managers interviewed, only two offered to show me around their factory. Only one manager took me to the salesroom; I bought a pair of shoes!

**Interviews with the following managers took place  
between 1 April 1995 and 10 November 1995.**

Elgin is one of four partners:

This private company was founded during the mid-1980s when the first effects of de-regulation were being felt in the industry. Four former employees of large firms which pulled out of the industry formed a partnership, bought some of the excess industry equipment, and set up shop. The strategy from the beginning was to focus on international brands. They manufacture under license. They also import. Their markets are New Zealand, Australia and the South Asian countries. The company employs 45 staff in three locations. Aaron thinks that the industry is dead but that his company is going to continue getting bigger.

Competitors: all shoe manufacturers, but no competition in New Zealand

Aaron is an Owner\Manager:

He started the business in 1989 as a life-style choice when the industry had its first major rationalization. He employs his family and 8 full- and part-time staff. He was able to get started with help from the Government programme which assists small businesses. He is focused on custom-made shoes for ‘problem’ feet. The older market ‘with money to spend’ that see feet as part of their health care are his target market. He works closely with health experts, but also has a small selection of basic stock. His factory and retail outlet are in a small rural town and much of his repeat business is from overseas customers.



Barton is an Owner\Manager:

This privately owned company was formed in 1988 with surplus industry machinery as the large companies left with the first reduction of tariffs. The six employees manufacture womens shoes under contract for a domestic retailer. The future strategy for the firm is to close as the contract will not be renewed. Barton cannot cut costs any further to match the cost of the imported shoes. What was viable in 1988 was no longer viable in 1995 as the tariffs continued to be reduced.

Duncan is the Owner\Manager:

This private company was founded in 1943 and still is in family hands. The 40 employees are still working at the site of the original factory. A recent revamp of the facilities upgraded the work area and created an upmarket retail outlet. The company changed from making slippers to womens shoes, but downsized in the process. There is a small export market to Australia. There is a future for the industry and the firm.

Competitors: Craigie, The Warehouse

Edmond and his wife are Working Partners:

This business started in a garage in 1979. Both partners made sandals and sold them at craft fairs on the week-ends. With a healthy bank balance they were able to buy equipment and set up a factory and retail outlet. Today they employ 16 people. The strategies of working for larger companies under contract will continue to be the 'bread and butter' strategy in the future. They also want to get more contracts from Australia as the number of independent retailers in New Zealand has shrunk. It is harder to keep the balance between the domestic and overseas markets, but they are aiming at 60% of production for export to Australia.

Finlay is the Communications Manager:

This family owned private business is continuing to grow, but to grow off-shore. The business was founded in 1971 and internal restructuring, downsizing and reorganizing of work processes have accompanied the move off-shore. The current factory\retail outlet employs 50, but most of the manufacturing is done under contract in China. Shoes are sold domestically and in Australia. Future strategies include opening a new factory in and for Australian expansion.

Karroll is an Owner\Manager:

Karroll is a special and very public entrepreneur. She knew nothing about footwear manufacturing but she found a way to make a difference. She thought that with the right combination she could reduce the price of school shoes. With her accountant and bank manager she formed a company in 1990 when the tariff for childrens shoes was totally removed. She negotiated a contract for the shoes, hired unemployed who had never worked before, obtained government retraining funding, started to learn about footwear manufacturing, and gained a high media profile. She says it is 'pay back time'; the government looked after her when she was young, now it is time to give back to the community. She currently employs 12 people most of whom have had to learn 'work skills' before they could learn the skills required to manufacture shoes. The Warehouse-a discount retail chain- buys the shoes under exclusive contract. Another part of the 'pay back' is the use of the factory kitchen to produce hot meals for primary schools in depressed areas of Auckland. Karroll is the only woman footwear manufacturer.

Duff is an Owner/Manager:

This family business is part of a larger group of businesses which has taken advantage of the changed transportation costs subsequent to deregulation. The factory opened in 1954 and continues to manufacture women's casual shoes. However during the 1980s they moved to higher quality leather shoes as the threat of lowcost imports started to be a problem. In 1990 he had 32 staff, today there are 17 working alongside his wife and himself. The company exports a small number of shoes to Australia but focuses on the independent retailers in New Zealand. They are fast on repeat orders and the retailers are demanding JIT delivery, but they don't have the space at the present site. It is getting harder and harder to make the margins. The future looks grim for both the firm and the industry.

Competitors: McKinlays

Giles is a Working Partner:

The family business has remained in private hands since its inception in 1947. Recent restructuring of the firm included the retirement of the first generation, a retreat from manufacturing, and a move into retailing by the second generation. The company downsized from over 50 to the present 12 staff in manufacturing. The strategy was to offer lower prices and better service than the other retailers in the town. This could be accomplished because of the low rent. The retail business is thriving, but is based on 80% imports. Only 20% of stock is manufactured on site, production is minimal as there are few independent retailers left.

Competitors: nobody else has moved in this direction.

Fidel is a Managing Director:

Fidel started this business in 1966 upon leaving school. The rural setting was seen as an advantage and footwear manufacture seemed to 'fit'. The company is still a private family owned business which imports as well as manufactures footwear. The retail outlets which buy mainly, but not exclusively from Fidel's manufacturing company, have been organised as a separate company. The 100 staff are what is left after downsizing. The company changed the basic strategy for both products and distribution. The target market has moved from the 'low-paid family man' to the 'well paid working woman'. Some small amount of manufactured shoes are exported to Australia. The company is also a major importer.

Competitors: Craigie; McKinlay

Calvin is a Working Partner:

Calvin was apprenticed as a bootmaker and became redundant in the late 1980s. He bought a business specialising in custom-made shoes. The business was a one-man operation which grew annually, but the owner was ready to retire. Calvin and a partner bought the business with the intention of expansion. They opened up a factory/showroom/retail facility, added a number of 'bread and butter' specialist shoes to their bespoke core business, and employed a staff of 4. The machinery is also used to 'help out his mates' who have overseas contracts. The company has no competitors in New Zealand but national distribution is difficult for custom-made shoes!



Diego is the Managing Director:

The company began in the 1930s when two podiatrists formed a footwear import business. The families grew and so did the business; manufacturing started in the mid-1960s. Three generations now work in the company with Diego at the helm. The company remains in private hands and currently has both retail and manufacturing premises. This company is one of four in the study with over 100 staff. (100+ companies are about .5% of all companies in New Zealand). The company employs about 200 employees in New Zealand, Australia, Canada and the US. Strategies during the 1980s included: downsizing the staff, upgrading the technology and expanding the volume of exported footwear. Today 70% of manufactured footwear is exported. Future strategies are to concentrate on marketing and finding more niches for their footwear for 'mature' women. Their competitive advantage is located in the combination of selected niches, podiatrist designed attractively built womens shoes.

Competitors: Ideal; Craigie

Gavin is the Marketing Manager:

Footwear is no longer the major earner of this diversified family-owned company which began trading in 1868. It has the largest number of retail outlets in the country, but manufactures very little footwear. During the 1980s much restructuring and downsizing took place, but little upgrading of plant or changing of work practices. The company has always been an importer as well as a manufacturer. The company has recently restructured again, this time into autonomous business units. A new strategy is to focus on three or four market segments. There are 109 retail outlets and still about 100 staff in the manufacturing plant. Shoes are exported to both Australia and Canada.

Hadden is the Production Manager:

Hadden was kind enough to meet with me as the Owner\Manager of this ladies fashion enterprise was much too busy. The family company was founded in 1960 and remains within the family. The factory manufactures for its exclusive retail shops in New Zealand and Australia. The staff of 35 work in the new and larger factory made possible with a restructuring of the business. The strategies which have been used to ride out the storm of de-regulation are to be an early mover in branding, export to Australia, have some 'exclusive' independent retailers, and restructure work processes. The future holds more of the same.

Competitors: Marler Shoes

Caleb is an Owner\Manager:

This private family business was started in 1984 as part of the industry rationalization. They started manufacturing safety and tramping boots. The business grew slowly over the years to a maximum staff of 14, but with new work practices the staff is now only 8. The smallness of the firm gives flexibility for special orders and fast delivery which the larger firms can not match. The few large manufacturing companies still in New Zealand continue to produce safety wear based on New Zealand industry safety standards. Caleb has just become the first in the country to invest in state-of-the-art technology which will probably become industry standard within two years. The company exports special orders to some Pacific Islands. There is a comfortable exchange of personnel and machinery with his nearest competitor depending on need.

Competitors: Goldings; NZ Safety; Vinnell

Fletcher is a Owner\Manager:

This family owned private company was formed in 1879. The company continues to manufacture a full range of childrens, mens and womens shoes. The 40 employees are more productive today than 10 years ago although there are fewer of them. This company decided early to find a distinctive 'look' and work on brand recognition. The company has sufficient space to warehouse stock and thus offer JIT delivery for independent retailers in New Zealand and Australia. To date only about 5% of production goes offshore but the strategy is to expand to about 20%. The company has gained marketing experience in the last five years which is necessary in a market flooded with cheap imports. Quality made shoes with a 'distinctive look' which have the potential to become an international brand is the future strategy for this company.

Competitors: Atkinsons, The Last Footwear

Hans is the Production Manager:

This private company was formed in 1938 and continues to be one of the few large scale footwear manufacturing businesses in New Zealand. In 1983 there were five plants operating with staff in excess of 400. The company manufactured a wide range of footwear in New Zealand's version of mass production. Today there is one plant with a staff of 112 which includes a factory retail outlet. The company exports about 20% of production and has attempted moving offshore for manufacturing, but found the work skills were lacking for quality footwear. The company is also a major partner in an importing consortium of a number of New Zealand footwear manufacturers. The move to manufacture upmarket leather footwear keeps the company in line with its longtime competitors.

Competitors: Bridgens, Adams & Robertson

Abraham is the fifth generation:

This private family business began as footwear importers in 1882. During the 1950s a large factory was custom built and grew to employ over 100 full time staff. The industry rationalization during the 1980s saw the company downsize staff and upgrade technology. The introduction of CAD/CAM and new team work processes has continued to be a major part of the internal restructuring of the company. The future strategies include moving to smaller premises, expanding the importing side of the business, continuing to manufacture for export especially to Australia and to expand the retail outlets. The 36 staff presently may be reduced further as the internal restructuring continues following the retirement of the fourth generation of the family. Abraham's marketing focus makes him the first family member in a long while who is not a 'cobbler'.

Competitors: David Elman; Bridgens, Marrow-Taylor, Adams & Robertson; Atkinson

Baldwin is the General Manager:

This privately owned family business started in the early 1920s. The fourth generation family members make up the present board. The company manufactures ladies footwear and owns a number of retail outlets. The staff of 72 are what is left after the downsizing, and technological upgrading of the early 1990s. New systems and group work practices have increased efficiency. The major strategy was to move from the lower-end of the market to the upper-end of ladies leather fashion shoes. The firm's products are now in the middle-range of the upper-end, but marketing in the middle-ground is difficult. Future strategies include: branding, segmentation and export to Australia.

Competitors: Fabia; Morrow-Taylor; Perillo



Elton is a General Manager:

This family company was started in 1954 and the third generation rely on a General Manager to keep things going while they get some experience before operating the company themselves. There are currently 65 employees in the manufacturing facility. The company also imports footwear from China. During the 1980s the firm upgraded machinery and installed computer systems to support a customer focus. Strategies are to continue the expanding the marketing base of the company. Their specialised equipment keeps special orders coming into the business.

Competitors: Bricklands; Ideal

Calder is the Manager:

This business is one unit of a family owned diversified company. The footwear manufacturing is but a small part of the larger business and employs 16 staff. Calder is a family member who runs the footwear factory as an autonomous business unit. The rationalization of the industry has not had much effect on their business as the plant has not been upgraded or staff downsized. The staff are 'long term' with little turnover. The lowcost imports have created a market to avoid rather than to compete against so production moved upmarket. All shoes are sold domestically through independent retailers. The business will keep going until it is not longer profitable, then it will close its doors. The future of the industry is probably just 4 or 5 small factories which can supply repeats and copies of overseas stock. The rest of the non-bespoke market will be supplied by imports.

Barry is an Owner\Manager:

This family business is an example of the internal restructuring occurring within much of the industry. This family has been in the shoe business since the late 1940s. The brothers grew the business to such a size in both New Zealand and Australia that a purpose built factory employed over 100 people. But the changes of the late 1980s saw some family members retire and other family members deciding to go their own way. Barry wanted to retire but didn't know what to do with himself so he started another shoe company. He manufactures mens shoes and has an exclusive contract with both domestic and export companies. He sees everybody who makes any kind of mens shoe as a competitor because men 'don't buy enough shoes'.

Competitors: Vinell; McKinlays; Lydiard;

Garth is an Owner\Manager:

This husband and wife partnership was formed in 1978 and began working out of a garage. They took advantage of the availability of cheap equipment during the 1980s and moved into larger premises, then moved again. They now employ 70 staff with one factory and 4 retail outlets. Each is a profit centre but all products are manufactured in- house. There is a small range of other products such as belts, hats and bags (20%) which are in the distinctive style of the 'branded' shoes (80%). Products are available from stock or bespoke. A small number of products are exported to Australia at present. Future strategies are to expand domestically and internationally. Competitors: 'None, as people attempt to copy our style but they just become lowcost non-substitutes.'

### **Competition\ cooperation in an emerging industry:**

An emerging industry is defined by its rapid growth. The New Zealand wine industry has been growing by leaps and bounds during the 1990s. It is considered by many to be the 'latest bandwagon get-rich scheme' within the country.

The Industry Development Plan (WIDP 1980) for the wine industry clearly shows a 'winner' chosen for government support. At least nine government departments worked for a number of years to change legislation which has enabled the industry to continue on a growth trajectory. Change was required in agricultural practices, health regulations, customs duties and tariffs, but most importantly the sale and consumption of alcohol. New Zealand beliefs and drinking habits had to be changed from the Anglo-Saxon view of 'demon drink' to the Mediterranean view of 'wine as food'. The government was willing to back the wine industry as an export winner because of the expected positive effect on the balance of payments. Identifiable export products are a way of waving the New Zealand flag internationally. Every bottle of New Zealand wine is an advertisement for the country.

It was always assumed that the domestic market had limited possibilities and the only growth of volume was in export markets.

I contacted the Wine Institute of New Zealand for support in the project. This was granted although no letter of introduction was forthcoming. The verbal support for the project did not appear to make access into the industry very effective.

The 1996 Annual Report listed 238 licence holders, and from that list I chose a number of Christchurch wineries to approach. A letter was sent to 10 wineries requesting an interview (Appendix D). Of the 10 firms contacted, one winery had been sold and the new owners didn't produce wine, five managers never returned my calls, and four managers were interviewed at their wineries.

From these interviews I was able to gain some insight into the categories of wineries within the industry. I made a list of 10 categories and asked my contact at the Institute to recommend Marlborough and Auckland wineries in each category. From that list an additional 30 letters requesting interviews were sent, 15 to each region.

One Marlborough winemaker wrote back that she was too new to be interviewed. The follow-up phone calls produced mixed results. One winemaker was going on holiday, the person he

suggested instead never returned my phone calls. Six managers made appointments, but the rest did not return my phone calls. However, when I was interviewing in Blenheim three others involved in the industry agreed to see me on the basis of telephone contact.

The Auckland winemakers were the most difficult to access. I sent letters to 15 wineries and received faxes from three companies immediately saying they were too busy. I also received one letter with an enclosed map and an appointment time. My phone calls were not returned although finally nine wineries were visited, but even the managers who agreed to be interviewed had to be persuaded to be part of the research. The frustration was compounded by missed appointments, changed times, non-working tape recorders and the Institute staff being in Europe!!

For all of the frustration in gaining access, once I entered a winery I was made welcome and the managers were generous with their time and knowledge. I asked questions similar to those in the footwear interviews (Appendix E). I was offered many cups of tea, lots of biscuits, some muffins and one luncheon. Two bottles of wine were opened for inspection, and I am pleased to say that they were award winning wines. And a number of managers responded favourably to the Industry Report which I produced (Appendix F).

**Interviews with the following managers took place  
between 1 September 1996 and 1 December 1996.**

Morse and his wife are Partners:

This small private family winery is supported by 11 acres of vines which produce about 6000 tonnes a year. Morse also buys grapes on contract. From the start this winery which has a cellar door was augmented by a restaurant and function centre. The family, plus 3 full-time and 7 part-time staff, are busy all through the year. The restaurant and cellar door sell all the wine which can be produced.

Competitors: 'I don't consider myself a winemaker, in that sense'

Harley is the Corporate Brands Manager:

This company began life in 1902 as a part of the vineyards of an immigrant family. The family worked and extended the vineyards, the production facilities, and the means of distributing their wines throughout the country. The family were innovators in New Zealand wine making being the first to use cultured yeasts, stainless steel tanks and pressure fermentation. However, as the industry grew during the 1960s and 70s, the family were unable to capitalise the expansion needed and eventually sold to an overseas corporation. The currently publicly-owned company is controlled by overseas interests, although most of the wine is produced for domestic consumption. The company has five major labels which consistently produce national and international gold medal wines. The company sells a wide range of beverages from juice to 'champenise'. The main bottling and blending plant is in Auckland, but the company has vineyards and wineries all around the country which produce about 17 million litres of wine and juice each year. The 150 staff members are in addition to the contract grape growers. About 10% of production is exported to five or six countries. Although the company does produce bulk wine, it focuses on fine bottled wine at affordable prices.

Competitors: Montana, Villa Maria, the imports



Slade is one of five family members who are Working Partners:

This private family business began in 1944. The third generation all work in this company which employs 40 permanent staff. They started in the early 1980s planting varietals because they saw an opportunity in exporting at the high-end of the market. About 20% of the annual production of 20,000 cases is exported, the balance of the wine is sold nationally. The 50 acres of vines are mainly chardonnay, but future growth will be in the development of pinot noir. The wines from this winery have won numerous international awards. Most of the domestic wine is sold at the cellar door and through direct marketing.

Competitors: the East-coast Auckland wineries, the rest of the wineries in the world

Adair is the Marketing Manager:

This private company was begun in 1970 as a contract grape supplier. The grower expanded into production but was undercapitalised and a number of bad seasons took their toll. The company was sold in 1989 to the new owners. Two of the partners are from New Zealand and one is from overseas. They have upgraded the winery and built a restaurant on site. There are presently 26 acres under cultivation and five full-time and 4 part-time staff. The company also uses contract growers and produces about 12,000 cases a year. At present most of the wine is sold regionally, but future growth is expected through export.

Egbert is a Owner\Manager:

This diversified private family business has been winning national wine awards since 1990. The vines were planted in 1982 as contract grapes. Eventually the winery and restaurant were built with the addition of new partners. The wine side of the business is about 1/4 of the annual turnover of the company. The vines yield 130 tonnes of which 120 are made into wine and the balance sold as juice. The restaurant is open only in summer, but about 1500 cases are consumed on site each year with the balance sold locally or in the UK. The mainly white wines are expected to gain in reputation and future strategies include growth to about 20,000 cases, half for export, a year.

Lars is an Owner\Manager:

This private company has gone through a number of iterations in its short life. The first vines were planted in 1980 and the winery was built by a number of partners. During the mid-1980s when over production plagued the industry, the winery ran into problems and was put into receivership. The present owner was able to buy the plant and added a restaurant to supplement the cellar door. The strategies from 1990 have been to keep the business small in order to maintain self-sufficiency. The only employees are family members who tend the vines, crush the grapes and bottle the 20 tonnes each year.

Competitors: everybody in New Zealand

Jack and his wife are Partners:

Wine and the vineyards are part of small diversified family owned private company. The 10 acres of vines produce between 250-500 cases of red wine a year. A few of these cases are exported to the US and the UK and the rest are sold by direct marketing to 'members of the club'. Jack is determined to make a good 'burgundy' and will continue on his quest into the future.

Jamiel is an Owner\Manager:

Jamiel and his wife own a winery, a cellar door and 33 acres of vines. They also grow 11 acres under contract. The first vines were planted in 1988 and the production has increased yearly from 900 tonnes to 1200 tonnes. Some wine is exported to Australia but most of it is sold locally. Future strategies are more of the same with a regulated growth of wine and export markets.



Keegan is the CEO:

This company has recently changed owners and is now part of a diversified private company. The original owner started the company in 1980 with the intention of making specialty wine in a specific style. The current restaurant, cellar door and 60 acres of vines are run by the 12 permanent staff. The speciality wine has been augmented over the years as the winery facilities grew. However, the new owners are returning to the 'core business' and concentrating on the speciality wine. Future expansion of the restaurant facilities is also on the cards. The domestic market will be expanded and exporting to the Pacific Rim countries is anticipated.

Neil is a Winery Manager:

Neil is one of 450 employees of this public diversified company. The company has major holdings in most of the growing areas of the country. The juice from a 1000 acres of vines is augmented with grapes produced by contract growers. The company produces liquid beverages of all kinds but its noted for its bulk wine (which is imported principally from Spain or Argentina), its mid-priced bottled wine and its very affordable 'bubbly'. Forty percent of current production is exported, mainly to the UK, Canada, and Europe. The company controls about 45% of the domestic market mainly by being able to service the grocery stores which now account for over 50% of retail sales. The company also started life as a small family business during the 1940s but grew too quickly during the early 1970s and required international funding to meet the continued expansion. The family lost control of the company soon after a public float in 1973. During the 1980s rationalization of the industry new directors gained control and have been overseeing the expansion of the company ever since.

Ira is the Marketing Manager:

Ira is also one of two brothers who began the company in a tin shed in the early 1970s. The brothers built a large winery and bought a 22 hectare site. During the 1980s the company was able to pull vines which produced bulk wine to extend their higher value varietal stock. The present private company has two additional partners and 200 acres of vines in six different regions. They also have contract growers to help produce the 130,000 cases each year. Their award winning wine is sold at the heritage farmhouse restaurant, through direct sales, at the cellar door, and commercially in New Zealand restaurants and liquor outlets. Export markets account for 22% of production which is shipped to over 10 countries. Future strategies include an increase in export sales, by volume and country of destination. 'A small amount to a large number of countries'.

Competitors: everyone

Kenen is an Expert:

His wines are more of a hobby than a company. The first vines were planted in 1980. The small yield of wine, 3,000 cases, is an experiment in production of red wine in New Zealand. About one half of production is exported and the balance is sold by direct marketing or through catering companies. The strategy of the future is to continue to experiment with the introduction of 'exotic' varieties of grapes.

Lamar is the Winemaker:

This publicly-owned company is part of an international corporation. They may be the 'best known' New Zealand company. Beginning with nothing but a taste of a sauvignon blanc in 1985, today they produce 75,000 cases a year which are shipped to 25 countries. The 25 employees tend to the 148 acres of vines, the new oak cask room and the cellar door. The company continues to improve on its international award winning wine by planting new varieties of vines and experimenting with existing varieties. The company's strategy is to continue to grow to 120,000 cases mainly for export from contract growers and expanded company vineyards.

Nigel is an Owner/Manager:

This family owned private business began as contract grape growers for the large companies. The vines planted in 1980 were mostly destroyed in the vine-pull of 1985-86. Varietals were planted and the contract growing was augmented by contracting a winemaker to make wine for the company. Thirty percent of the annual output of 16,000 cases is exported to Australia and the UK. In 1992 a restaurant which sells wines and meals all year round was added to the business. The 45 acres is worked by 3 permanent staff and 7-8 casual staff as needed. Future strategies are to increase the number of grape varieties as well as the continued export of the award winning wines.

Blair is a sole-proprietor.

The first vines were planted in 1968 as part of the expansion of one of the large wineries. Contract grapes were grown until the vine-pull in the mid-1980s. New vines, this time varietals, were planted, but new contracts had to be found. Blair was able to find a company which wanted the grapes and was willing to make wine for her. Thus she sells her grapes under contract and contracts for a winemaker. The wine is sold to a direct marketer and has recently won a medal in the Air New Zealand awards. The 50 acres produces sufficient to fill her annual contract and produce 4000 cases of her own label, of which 100 are destined for the UK market. Future strategies include the increase the acres under cultivation, continued contract growing, and expansion of her label into the UK market. Competitors: wine labels which sell 'commercial wine'

Isabella is a Winemaker:

This company is comprised of a number of private investors. The vines, planted in 1987, have consistently produced award winning wines. The wine is sold through a cellar door, a restaurant and by direct mail order. The 12 acres of vines are tended by a staff of two and the restaurant is tended by a staff of three. The winery produces 7000 cases a year and a small amount is exported to the UK. The restaurant also sells a line of 'fruit and vinegar' treats which add to the diversity of the company. Future strategies are to expand the export market and to restructure the business. Competitors: all small wineries competing for the top 5% of the market

Ian is the middle tier of the family:

Ian is suppose to be retired but 'comes in everyday' to this private family business which was founded in 1916. From the early 1980s the company has shifted into varietal, higher priced red and white wines. The expanded winery is surrounded by 50 acres of vines but the company also has a 120 acres in another region. The 22 staff produce 1100 tonnes of wine each year which is sold through the cellar door, direct marketing, in restaurants and liquor outlets nationally. Eighteen percent of production is exported to over six countries including: UK, Japan, Germany, Sweden, US, Australia. Future strategies are to increase the export to 35% of production and to market wine in a growing number of countries. Competitors: everybody who is trying to survive



Javier is an Owner/Manager:

Javier is one of the working partners in this diversified private family-owned company. This enterprise added wine to its range of products in 1987 as part of a diversification strategy. The 10 acres of vines yield 36,000 bottles most of which are consumed in the restaurant on site. The remaining 10% is exported to Germany to a distributor with exclusive rights. Future strategies include development of recently purchased property which is expected to continue selling the increased production of wine. Continued local sale.

Competitors: French Farm, Sherwood

Malcolm is a Winemaker:

This private family-owned business has been making wine since the mid-1930s. The 9 acres of vines produce 30-35 tonnes a year. The winery and cellar door are a long time feature of the neighbourhood and regular customers still bring their own bottles to be filled from the 'taps'. Along with all other New Zealand wineries this business now focuses on bottled higher quality varieties rather than poor quality bulk wine. The three full-time and 3 part-time staff bottle, pack and ship half of their 8000 cases to Australia each year. The balance of the vintage is sold locally.

Competitors: small Auckland wineries

### **'Sustained adaptation' in a 'mature' industry:**

The problem with the project as originally conceived was that Industry Development Plans were written mainly for industries which were expected to grow or decline because of the changes to the tariff system. Finding an IDP for a mature industry, which was also willing to be part of the research, proved impossible.

However, Christchurch was once the home of the largest printing plant in Australasia with a workforce of over 7000. Whitcomb and Tombs is no more, but there are still an inordinate number of printeries, 60 belong to the local Association and I was told more than once that there were '99 printeries' in town.

Access to this industry was via personal contact. I first visited the University printer, who gave me a list of names. I phoned managers on the list, and asked those I interviewed for other people to interview. I introduced myself by invoking the name of the person who recommended them. Thus I was able to interview 18 members of the industry. All of those contacted agreed to participate. Although I explained over the phone the purpose of the research, at the interview each manager received a letter which outlined the project (Appendix G).

The questions put to the managers were a variation on the original set of questions (Appendix H), but the interviews covered a wider range of businesses because of the nature of the diversity

within the 'industry'. I also interviewed the EO of the Printing Industries Association of Canterbury who has had experience in all three of the industries examined in this thesis.

Only five of the managers did not take me on a tour of their premises. This first-hand view of the process of 'putting ink to paper', pre-and -post printing possibilities from a variety of perspectives, gave me a view of the diversity within the industry. I was very flattered when the Industry Report I had prepared was sent to all Association members in their monthly newsletter! (Appendix I)

**Interviews with the following managers took place  
between 1 February 1997 and 1 May 1997.**

Paz is an Owner\Manager:

Paz is one of three staff in this private company originally formed in 1953. He bought the company in 1981 when the company was in a rundown state. He has since upgraded some equipment and added some post-press services. Future strategies for the company are to move to newer and smaller premises and to search for niche markets in the local area.

Tito is an Owner\Manager:

Tito is the latest in a line of family members who have managed this post-press business which was started in 1893. Although the printing has changed, most products still need 'finishing', they have to be handled, thus Tito seems confident in continued trade. But he has continually upgraded equipment to provide the changing industry norms. The present staff of 15 is small compared with the glory days, but this private family firm continues to survive change after change in the industry.

Ramon is a Sole Trader:

Ramon is one of the many pre-print operators. The easy access to the Apple Mac technology has flooded the market with 'designers' if not skills. The apparent ease of computer use does not, however, compensate for the ignorance of the printing process on the part of 'designers'. The ease of electronic communication only adds another level of work for many of the printers which is why they have moved pre-press in-house. However, Ramon is an experienced designer and photographer which is why his 10 year old business has survived. But the rapidly changing technology has also placed him at a cross-roads.

Angel & Victor are husband & wife and business partners:

Angel & Victor entered the industry in 1987. They bought an existing business which had been trading for 50 years. Commercial printing is part of their private diversified family business which also includes stationery and business forms. The 22 employees now offer pre-press and post-press services as well. Their customers are scattered all over the South Island and are increasingly expecting greater service at a lower price. The future strategies are to continue building relationships to retain customers. Competitors: BCP, Caxton

Pascal is a Working Partner:

Pascal and his partners have recently bought a printing business which has been in operation since 1906. The original owners had a reputation and a going concern, but decided that it was time to retire. Pascal, a manager rather than a printer, has previous experience in the printing industry. This medium size private company which employs 66 staff are commercial printers, book printers and specialist printers. Sixty percent of sales are from general printing which includes magazines, flyers and basic stationery items. The company offers services from design through to the finished product which has been stapled, collated or bound. Four-colour offset presses handle most of the production. They sell their services/products nationally with about 45% of revenue being generated in the North Island. The future strategies for the business are to grow a bit more to enable the company to offer all the options which are now available under the 'rubric' of printing.

Competitors: Bascands, Rangiora Print

Randal is a third generation printer:

This company was established in 1935, but bought by Randal 1980s. It is a private family-owned business which has 7 offset printing presses for its commercial printing. Magazines, promotional material and flyers make up the bulk of their sales. The company also continues to produce/publish books which provides about 25% of revenue. The 24 employees help provide pre and post press services. Randal takes advantage of opportunities as they present themselves and has no defined strategies. He has slowly upgraded equipment and changed work practices, but only after the industry seems set in that particular direction.

Competitors: Wyatt & Wilson; BCP, Spectrum

Walden is a Working Partner:

Walden and her partner both lost their jobs during the printing industries rationalization of the mid-1980s. This privately-owned general/commercial printing company employs 21 staff who use 4- colour offset presses. The company achieved its strategic aims during the early 1990s by upgrading both its equipment and its image. Rather than 'take' orders Walden had to 'go out and get' orders after a number of advertising agencies and head offices left Christchurch for Auckland. Future strategies are to continue extending customer service.

Competitors: Wyatt & Wilson, BCP, PPP, Caxton Press, Rangiora Print

Pablo is a General Manager:

This Australian owned private diversified company has two similar businesses in the South Island. Pablo has lately been appointed the General Manager in a restructuring of this recently purchased company. This pre-press enterprise has been a going concern since 1946 and has always been at the cutting edge of technological change. The current equipment is all digitalization which has become the industry standard. Apple Macs rather than the human eye are now necessary to keep up with the pace of the printing process. The 39 employees prepare the 'plates' which general and commercial printers use. However as digitalization makes the specialised functional processes redundant, this business will have to rethink its position within the industry. The once exclusive scanners are starting to become standard equipment for many printing businesses as they move toward integration of what used to be called pre- and post- printing services.



Blake is an Owner\Manager:

Blake is a second generation family member who is the general manager of this private family business. Their family bought an ailing enterprise in 1960 (the original printers began trading in 1900). The competitive nature of the industry has meant that the company has added services such as pre-press, but lost staff which now number only 3. The company still does jobbing printing for the industry as well as special orders on one of the few letter-presses left in the city. The bulk of the company's production is from its a 2-colour offset printer. However, the rapidly advancing digital industry standard is likely to cause problems in the future.

Competitors: anyone who prints anything

Kerry is a Working Partner:

This privately owned partnership was founded in 1980. The company was formed because Kerry saw a niche in the market that she knew she could adequately fill. Today the staff of 15 located in three centres, continue to meet the demand. The head office has recently moved into a purpose-built facility. The move has enhanced the image of the company, but service for the client at an affordable price remains the primary goal. Kerry wants to continue to grow the company as a 'brand'. She is finding that her marketing skills are becoming more vital as the market contracts.

Vidor is an Owner\Manager:

This private family company was established in 1984 with the purchase of a small and unsuccessful business. The two-man show has become a thriving concern which employs a staff of 40. Vidor's intention was to grow the business by buying new digital colour presses to enable him to become a leading low-cost commercial printer. He has succeeded and has a national market based on fast turnover because of low overheads. Future strategies are to move into the Australian market. Competitors: Wyatt & Wilson, BCP, Bascands

Tate is a Marketing Manager:

Tate works for a privately-owned company which was formed in 1997. However, the 39 staff are experienced in as much as they have all worked for the three companies (now one) which have changed ownership over the last 7 years. The shifting and changing of this company seems to be indicative of the upheavals of the last 15 years within the industry, caused by de-regulation and technological change. The intention of this business is to become a 'one stop shop' for production and re-production services. The services will be available when the construction of the company's premises is complete. Services include: pre and post press, colour offset printing, letter press specialties, and photocopying in black & white or colour. The present customers are all local but with the extended facilities the customer base is expected to expand.

Rafael is an Owner\Manager:

This private company is that latest incarnation of a printing business begun in 1879! Rafael bought the firm in the early 1980s with the intention of upgrading the equipment and changing the direction of the firm. Staff who didn't like the new vision 'left' and today 30 employees focus on high quality general printing. The 3- and 4-colour digital presses are used to print magazines, brochures, flyers and the like. The company has pre-press facilities and will continue to focus on niche markets in the future. The enhancement of the services provided to meet the needs of their national customers is possible with the introduction of corporate sponsorship and travelling representatives.

Competition: 99 other printers, BCP, PPP, Wyatt & Wilson, Rangiora Print

Wallace is Managing Director:

Wallace and his brother, both apprentice printers, were made redundant and decided to try it on their own business. They saw a market that was not being supplied and bought their first web press in 1974. The private family-owned company now have a staff of 145. However, this is a small company in the business forms area of the industry. The company has a 5-colour and 4-colour presses for commercial and general printing. The major strategy has been to take the printer to the customer with a sales force of 27 and branch offices in four centres. The company provides national coverage and also exports to Australia. The future of the company will be in moving towards 'one stop printing', so that customers only need to deal with one sales person who can supply all printing needs.

Competitors: Wickliffe, Carter-Holt, More Business Forms

Oren is a General Manager:

This privately owned company is a small player in a new and growing area of label printing. The specialized and individual nature of the product means that customer service and price are the primary concerns. The company is able to employ 83 staff in two locations as a result of aggressive marketing from its inception in 1985. Twenty-five percent of its products are exported to Australia, the balance is distributed nationally. The future strategies are again in question; to grow and take on the 'big boys' or to maintain the current clients with extra special service. Oren needs a challenge, not the best place for a manager in a company which is not on a high growth trajectory.

Competition: Quickstick, Hallmark

Salvador is an Owner/Manager:

This husband and wife owned private business is another of those companies which are moving towards integrating a variety of printing processes. The original company was formed in 1938 as a general printer. Salvador bought the company in 1993 as a growth vehicle for his already thriving photocopying business. Seventeen staff produce colour brochures, stationery, tickets and calendars on the 2- and 4-colour offset presses. The company also has a letter press for special dye-cutting. Bindery services and laminating are also part of the photocopying business. The future strategies are to continue growing through specialization, which is possible with his integrated businesses.

Quentin is a General Manager:

Quentin oversees a large business unit of a multinational corporation. This multinational public corporation obtained the business in 1993 when the fourth generation privately-owned family business was dispersed. His factory is one of four in New Zealand belonging to this group. His factory is equipped for commercial printing using web presses, but the company also uses offset presses. The 130 staff provides a range of services such as design, pre- and post-press for the books, magazines, junk mail and assorted general printing jobs. About 70% of their work is magazines. The Christchurch plant is geared to the high-quality, high volume products. However, as the market contracts and the capabilities of the presses are extended by digitalization, the company is moving into high-quality, low-volume products.

Competitors: Wyatt & Wilson, Wilson & Horton

*Auckland 12:30pm April 1992*

*I read:*

*'The point is this: even the simplest prose discourse, and even in one in which the object of representation is intended to be nothing but fact, the use of language itself projects a level of secondary meaning below or behind the phenomena being "described." This secondary meaning exists quite apart from both the "facts" themselves and any explicit argument that might be offered in the extradescription, more purely analytical or interpretative, level of the text. This figurative level is produced by a construct process, poetic in nature, which prepares the reader of the text more or less subconsciously to receive both the description of the facts and their explanation as plausible, on the one side, and as adequate to one another, on the other.'*

*Hayden White says that history is fiction, that readers read fiction even when they read fact! History is just a pile of tropes! Writing is just a pile of old tropes!*

*Auckland 12:30pm April 1995*

*I am eating lunch at the Art Gallery cafe with a retired member of the Footwear Manufacturers' Federation, currently their consultant. I tell him about the research project as it has been conceived. A study of three industries as examples of emerging, mature and declining industries. How I plan to compare performance of the best and the worst firms within the industry. I tell him that I want to talk about what strategies have been used by the companies and how I will need financial data to make comparisons of performance.*

*He says, 'they are all private companies, you won't be able to get any financial data. Without the data you won't be able to find out who is the best or the worst for that matter!'*

*What do I do now?*

*Christchurch 12:30am December 1995*

*My supervisor wants a chapter on my methodology. He supports the shift from a statistical analysis but he needs to know the academic legitimacy of interview as methodology. The Denzin & Lincoln, Handbook of Qualitative Methods arrives in the library, this gives me a framework within which to locate myself. The fifth moment of course, a constructivist, interpretative, location.*



*As I revisit the management organization journals my eye is caught more and more by the postmodern literature. Tony Watson's account of doing research and his article using a reflexive style suggest to me that postmodern writing, not just theorizing, has crossed into the management literature. Dare I write in a postmodern style as well as claim a constructivist location?*

## CHAPTER 1

## TO BEGIN AT THE BEGINNING...

### TOBY'S JOURNEY

This thesis is the record of a long journey of discovery, with changes of direction, leaps of creativity and emerging forms. The study is embedded in the distillation of a number of streams of thought based on my curiosity and the ideal of a liberal arts education. My academic location is not at the intersection of academic disciplines, but as befits a postmodern researcher is an ever shifting view of the world as constructed from my knowings. I view the world from many locations (Lather 1990) and these locations are contained and constrained within arbitrary boundaries necessary to the process of knowledge production (Kvale 1996; Tsoukas 1996; Blackler 1993; Daft & Wiginton 1979; Bateson 1972).

This particular journey has brought me into contact with many disciplines, most often within the social sciences or humanities. These have included history, sociology, education, feminist studies, psychology, geography, linguistics, anthropology, political studies, Maori studies, philosophy, marketing, cultural studies, organization theory, and strategic management. And I have even read an introductory economics text! Much of my reading has been additive, in other words I add to my view of the world those things which 'ring true' (Fisher 1987). From each of these disciplines, I have added to 'my story' the ideas which are important *to me*, even if that means I adopt ideas which create internal contradictions. I know that my exposure to each discipline is only a small fragment of what is available (Sosnoski 1995). I am comfortable with this because I believe that even if I had studied one aspect of one subject 'in depth' that too would only constitute a tiny proportion of the disciplinary knowledge available at present. My sense of academic boundaries is slight as I have not been taught how to maintain 'disciplinary purity' (Brown 1997; Schendel 1994; Bourdieu 1988). The lack of strict disciplinary boundaries does not cause me problems, although it may be difficult for others.

The production of this thesis can be traced to a number of critical moments of personal 'enlightenment'. Mr. Nicholson, my junior high school science teacher, said, 'be systematic', thus

my curiosity about structure and form (Spencer-Brown 1969). George Herbert Mead suggested that we internalise societal values. One of the values which I have internalised is the acceptance that it is good to 'pass on knowledge'. George Kelly outlined a view of 'personal constructs' that gives individualised meaning to events, persons and things. Thus my preferred research method of talking to people and hearing their stories (Kvale 1996). Weber wrote near the turn of the century that 'ideal types' were created by researchers. This restating of Plato's view of reality has been instrumental in my acceptance that all social research is able to achieve is a constructed reality--a re-presentation. Dewey and later Giddens suggested that all people are responsive and responsible for their experiences and Geertz says that we must place all behaviour within the appropriate context. Thus a social constructivist perspective is the grounding of this study.

My auntie Muriel gave me three 'toys' which have shaped my journey through life. I continue to ponder diversity and variety, and the knowledge that things are not what they seem. A spinning top which transformed itself with the push of a knob, a container of multi-coloured pick-up-sticks which could not always be disentangled, and a kaleidoscope with its infinite number of possibilities are the foundations through which I view the world.

Saussure made me aware of the possibility of multiple meanings and R D Laing confused me with his distinction between the brain and the mind. This research continues my never ending journey of perception, cognition, memory, and meaning created in and through language.

Miss Fraser, my grade five teacher, introduced me to the concepts of metaphor and comparison as the organising structures of the English language. I remember Miss McCannell reading us the fables of Montaigne; the use of moral tales as a framework for making choices leads me to represent stories as illustrative of choices. Kant suggests that questions are more important than answers. 'To know what questions may reasonably be asked is already a great and necessary proof of sagacity and insight'. And Rom Harre introduced me to the word epistemology. I still do not know what it 'means' but I enjoy attempting to make sense of the 'discourses' of a multiplicity of ways of knowing. Hayden White convinced me that the distinction between fact and fiction is specious, and Hamilton that all writing was a form of biography. Reading about Marxism helped me to move from the simple to the complex and away from a belief in a simple deterministic monocausality. Although this thesis may be written in a cause/effect *style*, this literary device is for ease of reading not in any way suggesting a simple or even a complex determinism. These views combined with Rosenberg's finding that the outcomes of scientific research matches the views of the researcher, have helped me to clarify a philosophy of academic research that defines both the function and the structure of this thesis. And to have a comfortable scepticism about the limitations of my preferred methodology and with research in general.

Alex and Emma, my children, taught me that authority, legitimacy, and reality must coincide and collide in a never ending story. Garfinkle, Goffman and Foucault elegantly summarised these experiences and confirmed that there was no 'ultimate' truth in social relations. I am aware of the debates concerning abstract categories, authority, and legitimation, but along with Foucault I accept that what is important is embedded in cultural practices and beliefs, therefore the limitations of both truth and consequences are accepted rather than debated. Sheldrake has convinced me of the validity of morphogenesis and the spreading of postmodern ideas into a positivistic academy seems evidence of the process. (See *AMJ*, the lead article, October 1997)

Feminist writers such as Hester Eisenstein, Liz Stanley, Joan Kelly, Dale Spender and Rosabeth Moss Kanter suggested that the personal is political. In this work the analysis of power relations will be minimal, not because the power relations are minimal, but because the spot-light is on the processes of crafting this text and the metaphors found within the strategic management literature. Power relationships are not absent, but power as a focus of analysis is moved to an implicit category in the construction of these tales.

I read Alison Jones (education), Catherine Lutz (anthropology), and Ann Oakley (sociology) at about the same time. These three scholars from three different disciplines had used reflexivity in their academic writing. Their view that social relations are best studied by purposefully interacting with the people who are the 'object' of the research agenda forms the foundation of my use of interview as methodology. I have accepted Einstein's view that we live in a relative universe and Heisenberg's observation that any object that is observed is changed by the observer. In my mind, these general principles of the physical world are applicable to the social world as well. I assume that my need to change the world is made possible by describing the world through my particular set of frames. Thus my experiences will be found in these pages along with the experiences of other research participants. Professors Stewart and Mintzberg appear to agree with my view that 'the most interesting' way to find out about what people do is to ask them! From them I claim a disciplinary legitimation to move managers out of 'the black box'.

Andrew taught me that there is never an end to the knowledge available only an arbitrary end to the process at hand. This thesis is, then, only a brief stop in my journey into strategic management, for I know that 'saturation' will never be reached (Glaser & Strauss 1968). McLuhan wrote that the 'medium is the message', and the physical design of this thesis was an integral part of my research message. Thus, attention has been given not only to content, but also to the function, the form and the structure of the 'cultural artifact' being constructed.

### **A cultural artifact:**

... the idea that the practice of social research can proceed most effectively if we replace the view that science involves a quest for certain knowledge that can be evaluated in an unambiguous way, with the view that it involves modes of human engagement on which we can and should reflect and about which we can and should converse to improve our understanding and practice. (Morgan 1983:18)

A reader-friendly text is my intention, therefore, I will attempt to help the reader with the complexity of my thoughts and experiences by using common 'academic words'. Some times the 'academic words' will be defined, but at other times the process of defining would be a thesis in itself, thus a language 'in common' is assumed. The process of construction of both the material text, and my sense-making narrative is a major part of the text, but allocation of space within the text remains problematic (a resources view of management?). I will attempt to indicate decisions of inclusion and exclusion or choices of brevity or longwinded explanation, but often the decision has become so much a part of my story that the process seems self-evident. My journey is about finding my 'fit' for the structure and content of this thesis. My search (for the holy grail?) is logged in my internal dialogues. They are meant to be made transparent throughout the text, and I hope that will not make too much of the text obtuse!

For me writing about research is about juggling abstract categories and pausing in a moment of clarity before the ideas move again. I think that most human endeavour is about sense-making by creating some order and applying abstract categories. However, the organising principle for academics is the *articulation* of categories. If the previous statement is true then I am assuming that the purpose of this thesis is to articulate categories, in this case categories which refer to the production of knowledge and competitive strategy.

If knowledge is the personalisation of information, this document is my attempt to share my version of 'knowledge'. The balance of the document will be peppered with references of those scholars who have introduced me to specific ideas which can be connected to this particular research project. My view is that knowledge is produced from within the multiple locations of the producer. I assume that this document is a record of some of my locations.

### **A thesis proposal, or two, or three, or more:**

This thesis is a description of an emergent inquiry which extends the methodological, theoretical, and philosophical conventions which have become entrenched within the strategic management literature. The purpose of the research is to use a postmodern sensibility to describe historical events gleaned from first-person accounts in an attempt to present 'insider views' of managing

in a de-regulating economy in a globalizing world. The research is located within the New Zealand experiment of economic, political, and social change during the 1980s and 90s.

The re-structuring of New Zealand is reflected in this work. This thesis is also an experiment in re-structuring which presents alternative forms, structures and content. It is a collage of aural and visual tales presented in a fragmentary form which acknowledges that all research can only capture fragments of a phenomenon (Chia 1996; Morgan 1986; Daft & Wiginton 1979). Purposeful irony, juxtaposition, and innuendo are added to the traditional academic conventions used to create the document (Dubin 1982). The thesis explores strategies and structures within managerial journeys, researcher journeys, and strategic management tales which are interwoven and collide throughout the text.

My attempts are directed towards an original contribution within the strategic management literature in areas suggested by scholars in the field. Mintzberg (1983) recommends using a 'direct' methodology, that is to speak directly to managers concerning their experiences. Pettigrew (1992) calls for the incorporation of processual methodology in which the process of the research is made explicit. Smircich (1995) suggests that research be presented in a reflexive style.

In order to meet these challenges, the primary objective of the thesis is the extension of the methodological framework within which much of the strategic management research takes place (Bettis 1991). This style is intended to capture the movement beyond the dominant paradigm of strategic research where everything is carefully assigned to its place in order 'to present an apparently complete picture' (Brown 1994). I explore the presentation of research as an incomplete and continuing process (Phillips 1991) by giving 'detailed and candid descriptions of the process' by which significant methodological decisions actually get made (Kulka 1983). The research strategy (Morgan 1983) of this thesis is located within a constructivist paradigm which works at the **strands which bind positivism and postmodernism** (Denzin & Lincoln 1994). My interpretative approach treats data qualitatively, that is, the collection, analysis and presentation of the data are presented within a context which is socially constructed (Berger & Luckmann 1966). The process of research as experienced by the researcher is also a major contribution to the reported findings (Marshall 1997; Pettigrew 1992; Kulka 1983). The evolving, emerging, generative, iterative nature of this study is best represented as a journey. Even though the destination (a PhD thesis) was decided before the journey started, the actual experiences of the travelling was not known before hand.

The methodological focus, however, does not mean that theory is ignored, only that theory production is not the primary purpose of the thesis. I am taking into account the advice of

scholars of great stature who advise against theory building. Dubin (1971:71) writes that human behaviour is problematic, 'there are 1,048,586 distinctive ways in which two persons can interact if we employ Parsons' model of social behaviour'. Popper (1989:261) advises that 'our knowledge is hypothetical, it is not *certain* knowledge but *conjectural* knowledge'. He claims that 'we can only *search* for the truth' (italics in the original). Poole & Van de Ven (1989) suggest that paradox be used to build theory. It seems to me that attempting to resolve a paradoxical 'reality' is itself a paradox, nor is the theory which may result related to 'reality'. Jacques (1992) outlines the social relations which are part and parcel of the academic theory building process. Academic peer review is an expectation of theory building and he suggests that we move away from the current cultural practice of 'debate' and into a new relationship for knowledge production, that of 'conversation'. However Jacques (1992) laments, even in feminist journals which advocate cooperation it appears that 'the framework of judicial critique' is so deeply entrenched in our scholarly practices that it cannot be broken. His suggestion that an 'ethic of care' should become part of the culture of academic discourse, informs my own research.

Thus, I take seriously the advice of scholars with more experience than I. Theory in this thesis is embedded within the methodological assumptions and practices (Morgan 1983). My focus is not on theory building, or even theory testing, but on using theories as structuring devices which help managers and researchers to make sense of the process of change. I do however, make a number of knowledge claims based on my interpretation of the data at hand. These will be amply sign-posted as we journey on.

This document can be seen as bricolage, designed and created by a *bricoleur*. Denzin and Lincoln (1994) list a number of characteristics of a researcher as *bricoleur*. Researchers are adept at performing a large number of diverse tasks; the researcher reads widely and is knowledgeable in a number of interpretative paradigms, the researcher works 'between and within competing and overlapping perspectives and paradigms', the researcher understands that research is an interactive process, and the researcher tells stories (Riessman 1993; Lewis 1988; Spender 1989). A bricolage is a 'complex, dense, reflexive, collagelike creation that represents the researcher's images, understandings, and interpretations' of the phenomenon and a bricolage is always a representation of a phenomenon. This type of product and process emanates from a specific world-view, in this case an applied postmodern constructivist view (Kvale 1996).

### **To begin at the beginning, thesis proposal mark #1**

A *bricoleur* is also an inventor of structure and form which joins the various knowledge streams. This need to invent alternative structures and forms is particularly appropriate due to the number of changes in direction of this research project.

The first research proposal sought to compare firm performance. However, no financial data was available for the firms selected, so that part of the study had to be abandoned. But I was still planning to study three industries which fit an evolutionary model; emerging, mature, declining.

The second proposal was a modification of the first. I decided to interview managers and focus on strategies which had been used during the 1980s de-regulation process. I was to focus on the past, present and future firm strategies and their relationship to changing industry structures. These proposals advocated the radical -- for strategic management -- use of interview as methodology, but were clearly within a positivist frame. Although I had been reading the postmodern literature in history, education, anthropology, sociology, linguistics, etc., for a number of years, I had considered it too 'radical' for a strategic management project.

In December 1994 my supervisor asked me to write something (Chapter 2) to help him understand an interpretive methodology (Kvale 1996; Feldman 1995; Isabella 1990; Rabinow & Sullivan 1987). It seemed, as I revisited the management\organization literatures, that 'posties' were evident in ever larger numbers. I found an engagement with postmodern issues in a growing number of management\organization disciplines; systems analysis, marketing, accounting, and public administration. I thought that I could possibly add 'a touch' of postmodernism to my thesis.

I decided that reflexivity (Denzin & Lincoln 1994; Watson 1995; Smircich 1995; Morgan 1983) was the least 'radical' postmodern concept which could be added to the work which was already in progress. However, it seemed impossible to be reflexive without discussing ontology and epistemology. Attempting to place myself within the Burrell & Morgan (1979) matrix plus the research strategy model from *Beyond Method* (Morgan 1983) helped me to articulate myself-identifying categories. But writing about ontology\epistemology is difficult without discussing the construction of knowledge and knowledge claims. And knowledge claims leads to the discussion of producing a thesis and before you know it your supervisor thinks you are out of your mind!

So he asked me to produce yet another proposal. This proposal focused on an interpretive methodology located within '**the tension which binds positivism to postmodernism**'. A final version of the proposal was constructed to help me clarify the issues which arise within each paradigm. Thus even proposal writing has been a journey of exploration, a continuing, emerging process which is reflected in the diversity of writing styles found in the following chapters.

### **Knowledge claim # 1: an original contribution to strategic management.**

Just as my underlying ontological and epistemological assumptions have been moving towards expression, so too has what the thesis will 'look like' been emerging. Being a pioneer is the same

as starting with a blank page rather than a completed map. Although there is a literature which addresses a lack of distinction between analysis and writing (Denzin 1994; Van Maanen 1995; White 1978), much of the literature appears to assume structure and form are unproblematic. Chartier argues that

... any comprehension of writing, not matter what kind it is, depends on the forms in which it reaches its reader... this space in which meaning is constructed, has too often been overlooked. (Chartier 1989:161)

For me the container of the knowledge is as important as the knowledge which is contained. Thus I have not been writing into a template, I have been constructing an original re-presentation as I 'write-up' this study (Clark 1991). For me the ordering, organizing, managing is a physical moving, shifting, shaping; packaging the sense-making narrative is a major 'artistic' component of a knowledge claim (Hawes 1991; White 1987). It might be that some people create cognitively and reproduce cognitively. I need to work the data with my hands and my muscles before it 'looks right'.

So what might a strategic management thesis constructed within a postmodern sensibility look like? It would have alternative structures, forms and contents.

### ALTERNATIVE STRUCTURE

The production of knowledge has become a standardising process according to some critiques (Phillips 1991; Daft 1983; Evered & Louis 1981). In a recently published article Robert Sutton (1997) a Professor at Stanford University, has argued for remaining a 'closet' qualitative researcher. His view is that the current legitimating practises of knowledge production constrains the extension of knowledge. This view is not new (Watson 1994a; Spender 1989; Smircich & Stubbart 1985; Mintzberg 1983), but it is disheartening to find his advice is to continue supporting repressive practices. My thesis is an attempt to break out of that tradition of suppression, at the same time it is written in the hope of obtaining academic legitimacy (Phillips 1991; Bourdieu 1988).

There are implied and explicit directions within academia concerning structures of theses. Most universities have booklets which attempt to standardise the structure into: table of contents, list of tables, chapters and appendices. Disciplines add to this standard direction with formalised expectations such as literature review, methodology, analysis, discussion, case studies (Summer *et al* 1990). Perry won the best paper award at ANZAM 1994 for his paper on thesis making. He



outlines five chapters along with the expected contents of each of the chapters. This view that data fits into predetermined structure could be considered the underlying assumption for a traditional thesis. On the other hand, Marshall (1997) works with emergent research strategies. These strategies are located within the shifting configurations of ideas which are embedded within organizing frames. She claims that the personalised structure of the thesis is every bit as important as the content.

My thesis is an experiment, in as much as the expected structure is absent. The structure has been emerging over the last year. This process resonates with the previously noted changing nature of the content of the study. The structure itself cannot be considered neutral, but it has had a limiting effect on both the content and the form. It seemed important that the thesis not just 'talk' about postmodern issues, but 're-present' these issues as an example of a postmodern view of knowledge production, thus, *differance* made manifest (Derrida 1978). For convenience chapters have been contrived, but the boundaries are by no means solid. The chapters may contain stories which overlap and intersect and arguments which permeate the artificial frames.

The tales of the production of knowledge located in the reflexivity of the researcher place the most strain on the traditional boundaries of a sense-making narrative in the strategic management literature (Shrivastava & Lim 1989). Hierarchical orderings (Kvale 1996; Tsoukas 1994; Porac *et al* 1989; Chaffee 1985; Evered & Louis 1981; Bateson 1972) may be used throughout the thesis, but the fragmentary and pluralistic nature of knowledge (Alvesson & Deetz 1996) is just as evident. I am choosing to use a novel approach in producing this thesis.

### ALTERNATIVE FORM

In this description of knowledge production 'form' is a subset of structure. Form is used to indicate appearance rather than the ordering of information. The postmodern concern with discourse, fragmentation and plurality are addressed in the visual construction of this artifact (Gergen 1994; Rosenau 1991). This visual construction I call form, and I attempt to capture the diversity of 'voices' in knowledge production (Fine 1994) by using visually distinctive forms.

The form of the thesis is ordered by headings in **bold lower case**. These headings are indicative of the content or appropriate quotes from a variety of sources, literary texts, academic models, and one specific comedy sketch by an American comedy team of the 1950s, Abbott and Costello. The sketch, *Who's On First*, (Appendix J) is an excellent example of epistemological differences and the confusion caused by these differences in the sense-making process. **BOLD UPPER-CASE CAPS** are used to indicate more important sections?

### **Who's on first? managers' tales:**

Most research in strategic management has adopted the approach of the detached 'outsider' prepared to impose prescriptions. Bettis (1991) argues that strategic management research has become bound up in a straightjacket of 'multivariant statistical methodology'. In an attempt to shift the boundaries I have opted for an alternative approach which accommodates managers' accounts of their experiences in the belief that managers' perceptions are valuable to other managers, students of management, and academics working in the field.

This 'insider view' as suggested by Evered & Louis (1981) is grounded in qualitative research which

seems to be moving further ... away from grand narratives ... to study the world always from the perspective of the interacting individual. (Denzin & Lincoln 1994:575)

This insider view is constructed from individual stories using Boje's definition of a story as

... an exchange between two or more persons during which a past or anticipated experience was being referenced, recounted, interpreted or challenged. (Boje 1991:8)

As noted earlier the intention of the thesis is to give space to managers' experiences. My original intention, to give primacy to the stories of the managers, has proven to be problematic. Their stories kept getting lost in the dominating structure which focuses on theoretical discussion or analysis or model building. I wanted to find a way to counteract this tendency and to construct an alternative. *Finally* two structural features emerged which provide the managers' space. The mini-biographies are presented in the Preface instead of in the appendices where they are usually found. The second feature to ensure prominence for the managerial tales is the use of ***bold italics*** throughout the text. Those with a sense of humour will notice that the managers have been moved from a 'black box' only to find themselves in a red, or green, or blue box!

### **What's on second? researcher tales:**

'Extending the field of knowledge' is the aim of all academic endeavour (Phillips 1991); much of it falls short, if one is to believe the introduction to most journal articles. The lack of extension often occurs because the clarity of the 'sense-making narrative' is lost. Therefore, I will attempt to give a road map and directions to the reader of this text, but an attempt it must remain. I would not willingly be so unambiguous that only one reading was possible (Jeffcutt 1993; Jacques 1992; Spender 1989; Van Maanen 1988). I have provided some guiding 'diary entries' at the beginning of each chapter to indicate the intellectual, structural, and integrating processes which are to be found within the chapter.

The problems of hierarchies within any form of produced knowledge remain unsolved except for those who are extremely comfortable in their own 'authority'. I am an acknowledged collector of ideas and part of my collection will be found in this thesis. But, I am not clear which is the most valuable of these ideas, which has the most 'resale value'. If I was sure of 'what counts' as legitimate knowledge, it would be easier to write this document (Brown 1994; Phillips 1991). The queries and questions that arise from both the process and the material will be contained in sections labelled **a pause for reflection**. These reflections are presented to both set the scene and to surface the unwanted problems of research. The Arial font will be used to indicate that indeed the process is not linear, but fragmented and discontinuous.

This thesis is produced as a 'conversation' in the first person narrative, however, my own reflections will be presented in both the first and third person as an indication of the multiple locations and the flexibility of my research strategy (Morgan 1983)!

### **I don't know is on third. academic tales:**

The third set of stories in this thesis are the 'legitimising' academic tales. These tales are usually presented in a thesis as foundations of the discipline (Perry 1994; Hassard 1993). They can be found in the Literature Review, Theory, or Methods sections of a thesis (Perry 1994). The words of previous knowledge producers are often re-presented in a formalized style of attack or denial of the knowledge claim. Mahoney suggests we change the rules of the game by engaging in a 'conversation'.

To use a popular metaphor, the 'rules of the game' are conversational norms: don't lie; pay attention; co-operate; don't shout; let other people talk; be open minded; explain yourself when asked; don't resort to violence or conspiracy in aid of your ideas. (Mahoney 1993:185)

This thesis attempts to engage in a conversation, that is to pose questions, give voice to a variety of points of view, and to extend rather than contract the field of knowledge designated 'strategic management'. This form of engagement will not be presented in the traditional double-spacing preferred for reviewing texts, but with a 'closer' spacing as befits a conversation.

I will also attempt to make some comments upon the 'tension that binds positivism and postmodernism' under the heading **tensions that bind** in an attempt to describe the inner contradictions (or is it my personal pragmatism)? They will be printed in red as an indication of my discomfort.

### **A pause for reflection**

This form is a 'wee bit problematic' as I have added to the field of knowledge and thus can claim some 'author-ity' status. I am one of the 'academics'. Might this whole thesis be a pause for reflection?

## ALTERNATIVE CONTENT

Many strategic management theses focus on performance, governance, strategy, or structure (Rouleau & Seguin 1995; Hamilton & Shergill 1993; Summer *et al* 1990; Huff & Reger 1987; Fahey & Christensen 1986; Chaffee 1985). One stream of research is concerned with the strategy of firms and the structures of industries, but there are few studies which actually address industry structures (Schwenk & Dalton 1991; Hofer & Schendel 1978). I have focused on both firm and industry level description which has surfaced three knowledge claims. First, that firm strategies are journeys rather than destinations as the bulk of strategy research indicates. Second, competition *and* cooperation are necessary for industry survival, at least in this small society. Third, rather than ONE designated strategy, firms and industries use a diversity of strategies, 'sustainable adaptation', in order to survive in a deregulating economy in a globalizing world.

Easton *et al* (1993) argue that the majority of the strategy literature is located in a rational/analytic world view. This seems evident from the lack of interest in the ontological or epistemological assumptions of authors noted in a number of literature reviews (Rouleau & Seguin 1995; Huff & Reger 1987; Chaffee 1985). An assumed realism is carried through into the dominant statistical methodologies.

Evered & Louis (1981) discuss the two types of research as 'inquiry from the outside' and 'inquiry from the inside'. They argue that knowledge is generated by those who experience managing and that this knowledge can be made available by critical discussion.

Knowledge about organizations and management is continuously being articulated by managers (i.e., participants in organizational life). The essential difference between coping/ sense-making/ survival on the one hand and inquiry/research/ science on the other hand is essentially this: the latter requires the coping organizational actors to be willing to tell as best they can what they know and how they came to know it - and to submit it to critical discussion. (Evered & Louis 1981:387)

In this study the insider views of managers will be 'critically' discussed within existing strategic management theories (Porter 1990, 1985, 1980; Spender 1989; Lewis 1988) and theories on the production of knowledge (Kvale 1996; Hassard 1993; Tsoukas 1991; Morgan 1983).

### **Postmodern concerns:**

There is not simple definition or tradition of 'postmodernism' (Bertens 1995; Rosenau 1991) I use it as an umbrella term which takes into account theory, philosophy and methodology. This study is being presented within a postmodern sensibility. I purposely use 'sensibility' to indicate

a non-definable state which Chia (1996) calls 'a becoming'. My definition of postmodernism is an attempt to describe the undescribable, to represent what has already vanished, to construct a reality which can never be complete and to find legitimation within an infinite variety of postmodernisms (Bertens 1995; Rosenau 1991). My definition of postmodernism does not expurgate modernism, but acknowledges that modernism forms an integral part of my knowledge claims. In other words for me postmodernism is a process, a maddening process, but a process which holds the possibility of fun as well as the tension between modern and postmodern knowledge claims.

I have collected a number of ideas which have accumulated under the umbrella of postmodernism. My references relate to the management\organization literatures on postmodernisms, although I have gained my insights into the 'world of the postmodern' via a diversity of literatures (Hollinger & Depew 1996; Sosnoski 1995; Bauman 1992; Brown 1991; Rosenau 1991; Lather 1990; White 1987). Thus, my view of the world is not a re-production of an accepted 'canon' (Brown 1993), but an individualised set of possible locations which continually shift as new information is accepted and new configurations are constructed as my sense-making practices continue. The actual process of writing is part of the practice which shifts and shapes the sense-making narrative of my text (Marshall 1997; Denzin 1994; Van Maanen 1988). My intention is to apply my postmodern knowledges to the act of writing about strategic management as it relates to a New Zealand experience.

### **What's on second?**

Producing knowledge is about ordering and classifying, at least within the context of this thesis. One way to order the vast number of 'information bits' is to create frames or containers. One expression I like is 'to place yourself in the literature'; this implies a location on a map. I find that one way of making sense of the territory is to use the maps provided by other scholars which helps to make the territory manageable. I assume that it also helps the reader to 'get their bearings' by defining some boundaries.

A number of 'review' articles have appeared in the organization\management literature which present lists of postmodern concerns. These lists are useful in structuring a discussion of the more popular postmodern concepts. Although all the authors claim to represent postmodern concerns, the concerns have different names, different emphasis, and are written within different epistemological frames (Bertens 1995; Rosenau 1991). It is easy to see (at least for me) that knowledge is a social construction. Most of the categories in these articles deal with epistemology rather than ontology; the process of knowledge production is the focus rather than the claim of knowing.

In a recent article Kilduff & Mehra (1997) outline five problematics which arise from an epistemological crisis. They list 'normal science', 'truth', 'representation', 'writing' and 'generalizability'. These topics are discussed by comparing postmodern concerns with scientific assumptions. This article appears to be written for an audience unfamiliar with postmodern ideas. I am making the assumption that readers of this document are already knowledgeable about postmodern discourses. I have chosen not to dwell on an extended exposition of the differences between 'positivistic science' and a 'postmodern science'. That can be found in many other locations (Chia 1996; Clegg *et al* 1996; Boje *et al* 1995; Hassard & Parker 1993, Cooper & Burrell 1988).

In an intriguing book Hassard (1993) attempts to integrate the epoch and the epistemological postmodern strands. For my purposes discussion of postmodern epochs is not an issue, I have chosen to focus on the epistemological issues. Hassard suggests that there are five areas of concern to postmodernists; 'representation', 'reflexivity', 'writing', 'difference', and 'de-centring the subject'. These concepts directly relate to the conscious requirements for the production of knowledge and they inform the process of this thesis.

Alvesson & Deetz (1996) have written a compact article which is less likely to appeal to those academics who like neat lists which encompass a whole field of endeavour. They critically discuss seven concepts which are located within a postmodern tradition; 'centrality of discourse', 'fragmented identities', 'critique of the philosophy of presence', 'loss of foundations and master narratives', 'knowledge/power connection', 'hyperreality', 'research as resistance and indeterminacy'. Their schema is a more elaborate discussion of the problems which confront any knowledge producer. Due to limitations of space, I will focus on only three of these concerns.

### **Discourse:**

Linguistics (Hodge & Kress 1994) and rhetoric (Backhouse *et al* 1993; McCloskey 1985; Huff 1983) as academic disciplines have contributed to an extension of the philosophy of knowledge debates. A number of French philosophers (Derrida 1978, Baudrillard 1988) but especially Foucault (1980, 1977, 1970) suggest that reality is embedded within the language used to describe that reality. Ideas structure our 'reality' and our 'place' in that reality which we create with our words. The material world and our experience of it is bounded by what we choose to include and exclude in language. Thus all knowledge is constructed in language. (The view that knowledges are also 'non-verbal' is used to counter this view or to extend it)

That knowledge is constructed in language is the view which informs this thesis. I assume that the industries studied, as well as the academic literatures reviewed, are parts of discursive

communities, which shape and are shaped by language (Gergen 1994; Granovetter 1985). Although the field of 'discourse analysis' has 'a variety of origins, influences, and definitions', Keenoy *et al* (1997) suggest that two strands of research are identifiable; the strand which focuses on meaning, and the strand which focuses on discourse as a methodological device. My study falls into the latter category.

It is not my intention to dispute that there is a dominant discourse within the field of strategic management or to offer an alternative to that discourse (this has been attended to by others eg. Knights & Morgan 1991). My intension is to *consciously and reflectively* use discourse to generate an alternative *method* of reporting strategic management research (Van Maanen 1988). The aspect of discourse which is of concern in this document is that of *style*. The use of 'visual elements', 'word order', 'structure' will be used to highlight the variation which is possible when one moves beyond the entrapment of a single academic discourse and travels between and through the boundaries erected by expected traditional 'canons' (van Dijk 1997; Bertens 1995; Brown 1993). The rhetoric and discourse of knowledge production which utilise metaphors such as social construction, interpretation, re-presentation, author-ity and reflexivity are attempts to guide both the writer and the reader in their sense-making journeys. I also use the common strategic management metaphors such as competition, strategy and structure to indicate one of the 'communities of scholars' to whom this document is addressed (Kvale 1996; Backhouse *et al* 1993; McCloskey 1985; Morgan 1983). My questionings of the construction of academic rhetoric within the strategic management field is part of my contribution to that field. I leave the 'deconstruction' of strategy discourse to others.

### **Fragmented identities:**

The concept of fragmentation is a theme which wanders in and out of postmodern discourse (Phillips & Hardy 1997; Boje 1995; Bergquist 1993; Morgan 1983). It is a major part of my attempt to present the process as well as the product of research (Brown 1994). The fragments of acquired 'wisdom' are found scattered about in the chapters rather than presented as one 'perfect' chunk called 'theory'. The stories of the managers are also fragmented bits of their whole stories which I have chosen to frame within fragments of Porter's (1980) prescriptions for competitive strategy. I assume that the 'mind' of the reader brings together the gaps and creates the leaps of faith necessary for sense-making (McGuigan & Black 1986).

Traditionally positions of power within academia have followed from the 'groundings' of a particular discursive field (Bourdieu 1988). Strategic management has never suffered from the problem of possessing an all-encompassing 'grand-narrative'; although the search has been unrelenting by some (Montgomery 1988; Camerer 1985). The pluralism of the discipline is

indicated by the problem of identification, is it 'strategy research' or 'strategic management'? (see some review articles in chapter 6) In this study pluralism or fragmentation is noted as a positive feature rather than a failing (McLennan 1995). The legitimacy of the discipline from my postmodern perspective comes from its ability to shift, change and re-order its knowledge claims (Knights 1992; Cooper & Burrell 1988). The view that 'fads' are problematic (Yarwood 1997) underestimates the 'fads' in other fields of endeavour (Rosenau 1991).

I celebrate and privilege the plurality of voices of managers and other experts. Plurality in this instance encompasses '*differance*' which is a major theme in the postmodern literature (Lyotard 1984; Derrida 1978; Foucault 1970). Plurality can be used to indicate the difference perspectives of those involved in a research project (Marshall 1997). Difference is the location of contact as multiple meanings of the reader and the writer converge.

Post-modernists recognize an infinite number of interpretations (meanings) of any text are possible'; thus interpretation shapes the text as much as content shapes the interpretation. (Rosenau 1991:119)

### **Research as resistance and indeterminacy:**

The role of postmodern research is very different from more traditional roles assigned to social science. It primarily serves to attempt to open up the indeterminacy that modern social science, everyday conceptions, routines, and practices have closed off... The point of social science is not to get it right but to challenge guiding assumptions, fixed meanings and relations, and to reopen the formative capacity of human beings in relation to others and the world ... (Alvesson & Deetz 1996:210-11)

If written knowledge is a language game (Astley & Zammuto 1992; Lyotard 1984) constructed for other members of a 'research community' (Marshall 1997; McCloskey 1985), then the rhetorical and linguistic expertise is more important than the content (Calas & Smircich 1991). Thus, the concepts of re-presentation and the process of writing the document become the primary focus of any postmodern research project.

Van Maanen (1988) expands upon three types of ethnographic account, which can be applied to the writing of any interpretive field research. Realist tales are told in the authoritative third person and imply an all-knowing, all-seeing, complete picture based on an assumed 'Doctrine of Immaculate Perception'. Confessional tales are told about the researchers' problems in 'their highly personalized styles and their self-absorbed mandates'. Impressionist tales present both the 'doing and the doer' by keeping both 'the subject and object'(sic) in constant view. A learning process is suggested by the impressionistic tale which is located in a narrative rationality.



This description has been accepted by numerous scholars in organization\management studies as a model for a postmodern production of knowledge (Kilduff & Mehra 1997; Hassard 1993). The model addresses both the problem of re-presentation and the presence of the author in the text. The acknowledgement that 'reality' is constructed by the author from data collected in the field is balanced by the practice of self-reflection concerning the process. This constant self-assessment (Marshall 1997) by the author is based on the questions of textual coherence and plausibility as found in a literary tale (Tonkin 1992; Leitch 1986). Thus, the audience needs to be kept 'alert and interested' with

Unusual phrasings, fresh allusions, rich language, cognitive and emotional stimulation, puns, and quick jolts to the imagination [which] are all characteristic of a good tale. (Van Maanen 1988:106)

The most obvious addition to the content of this strategic management project is the conscious inclusion of the researcher located in relation to the material being presented (Hatch 1997). In moving beyond convention, I have included in this thesis the process of the research. The problems which arise during all phases of the project and the narrative style are all alternative content components (Smirich 1995; Nash 1990). These innovations are in keeping with the growing community of postmodern scholars who are bringing new dimensions to academic writing, although Tsoukas (1993) argues that reflexivity is part of an *old* tradition of 'rational reflexivity'.

### **Sense-making narratives as linear logic:**

Ong (1988) suggests that the convergence of the writing\printing technologies and the Greek and Latin heritage has been instrumental in deciding 'what counts' as academic knowledge. The thesis structure is limited by the necessity of writing on a single-plane surface and the tradition of writing from top to bottom and left to right (Ong 1988; McLuhan & Fiore 1967).

From the Greeks came the rhetorical tradition of argument which is basically 'antagonistic and formulaic' (Ong 1988). The Greek penchant for maximizing oppositions is the foundation for the 'academic rhetoric' which was incubated in western universities (McCloskey 1985). This penchant combined with the domination of 'Learned Latin', with its unchanging words, allowed written communication to be easily standardised during the late modern period (Ong 1988). More importantly new ideas were also formulated and recorded in Learned Latin, which suggested that ideas were to be abstract and not involved with the everyday, that ideas were somehow above common speech and therefore above common experience. Thus a style of abstract ideas, ordered

in an argument which refutes and denies the acceptance of previous ideas, which is constrained by locating 'knowledge' on a flat surface, became the expected product of academic writing (McCloskey 1985). This kind of argument was also expected to be 'rational' as noted by the presentation of a linear logic.

This thesis is an attempt to create an alternative to that particular tradition. The structure and form are located in a fragmented, but tenuously linked sense-making narrative which is partially located in a postmodern discourse. However, because this document records the findings of an 'applied' research project, postmodernism is but one of the discourses. The **tensions which bind modernism and postmodern** re-presentation will be apparent in the privileging or favouritism given to specific ideas or perspectives, but my overall intention is to give voice to a multiplicity of views (Marshall 1997; Tsoukas 1991). The most clearly positivistic 'binding' is my need to make knowledge claims rather than to be content with re-presenting illustrations and descriptions of the industries studies (Van Maanen 1988).

### THIS CULTURAL ARTIFACT CONTAINS

This thesis is founded in a desire to explore. My journey into the worlds of wine, footwear and printing will be represented in the traditional format of a thesis; chapters which read from beginning to end. However, as befits a postmodern attempt, the more formal academic structure will be replaced with a structure which privileges the stories of those involved in the industry changes. The structure will also privilege paradox and questions, rather than certainty and solutions. I hope that the visual variety and fragmentation will appeal to you, especially if you don't like to read from front to back, but would rather read whatever strikes your fancy.

### PREFACE

Managerial tales from the footwear manufacturing, wine and printing industries.  
How my engagement with Michael E Porter began.

### TO BEGIN AT THE BEGINNING...

This title is a bit of a mis-nomer as I have now added a Preface. The chapter is designed to set the scene as a postmodern experience; an experiment in structure, form and content. Discussion of some postmodern concepts.

### **Knowledge claim #1: Originality within the strategic management field.**

My own intellectual history is outlined and a short description of the chapters is included.

### THE CANTERBURY TALES

This is a 'sort-of methodology' and a 'sort-of philosophy' of the research chapter. I discuss the production of knowledge using the research strategy framework suggested by Morgan (1983) in *Beyond Method*.

'99% OF THE WORLD HAS NOT TASTED NEW ZEALAND WINE', 1996

This quote from one of the interviews best sums up the state of the industry in 1996. The industry will be described and managers' tales will be re-presented to indicate firm strategies and industry structures for this emerging industry.

The academic content is a review of some of the ideas which have influenced my choice of story-telling as a form of re-presentation of research findings.

**Knowledge claim #2: Cooperation and competition are necessary for industry survival in an emerging industry, especially in a small society.**

#### THE NEW ZEALAND EXPERIMENT

*The New Zealand Experiment* (Kelsey 1995) evaluates the social, political and economic changes during the 1980s and 90s. The chapter presents a variety of discourses on those changes.

A number of meanings for 'competition' are located on the map.

I also outline my thinking and processes in choosing the industries for this research. The quandaries involved in locating a workable definition of an industry are examined as well as descriptions of the industries which are included in the study. The problems associated with an evolutionary industry model are also discussed.

#### 'BLEAK, VERY BLEAK', NEW ZEALAND FOOTWEAR MANUFACTURING, 1995

This study relates the stories of managers who are managing decline. It is an example of a chapter which is written in a positivistic frame; an early attempt from a different era of the study.

**Knowledge claim # 3: Strategies are journeys not destinations as suggested in the traditional strategic management literature.**

Declining industries literature review

#### THINGS ARE NOT WHAT THEY SEEM

Is strategic management a myth? Beebe's definition of a myth.

Definitions of strategy and locations of strategic management are presented.

An 'interview' with Michael E Porter, 1997, a postmodern liberty.

#### 'INK TO PAPER': THE CANTERBURY PRINTING INDUSTRY, 1997

Managers' stories of managing in a mature industry will be re-presented moving towards a postmodern style.

Porter's generic strategies will be discussed as they relate to mature industries.

**Knowledge claim # 4: Strategy defined as 'sustained adaptability'.**

#### A JOURNEY OF A THOUSAND MILES BEGINS WITH ONE STEP

Implications of the research findings.

Some thoughts on postmodern concerns.

Globalization

Identity of Andrew.

*Vancouver August 1995*

*Ellen and Mary Jo and Duora and a couple of guys from English are sitting at the front talking about how they are doing research that is 'outside' their own field and how they feel so alone and that is why they have come together today.*

*The same kind of conversation as in the article 'across domains, methods, and beliefs'. It sounds so normal to me, why is it so 'abnormal' for the speakers? Two hundred sessions at the Academy of Management Meeting and I find my way into a 'novel' forum.*

*Christchurch 11:30 am February 1996*

*How do you explain to someone who expects research to provide an answer to a question, that in some kinds of methodology you don't begin with a question, but allow the questions to rise as you work through your research?*

*What do you write for people who have never asked themselves 'how do I know that'? I obviously need to be able to 'write to' strategy researchers, but anyone who thinks that verbal data is anecdotal and therefore not data, won't want to read what I write anyway. Oh for a community of scholars!!*

*Christchurch August 2:30pm 1997*

*Judi Marshall says that emerging research methodology is what she does. The legitimizer of my methodology within management! She uses the expression 'research sense-making narrative'. She also uses 'post-positive' as if it was that easy!*

### **Towards a research strategy:**

This chapter attempts to clarify my positionings relative to the ontological, epistemological, and methodological logic of my research strategy. These are the discourses within which many interpretative researchers locate themselves. However, the analysis of my logic is tentative, as identification is problematic and often defies classification within extant researcher typologies.

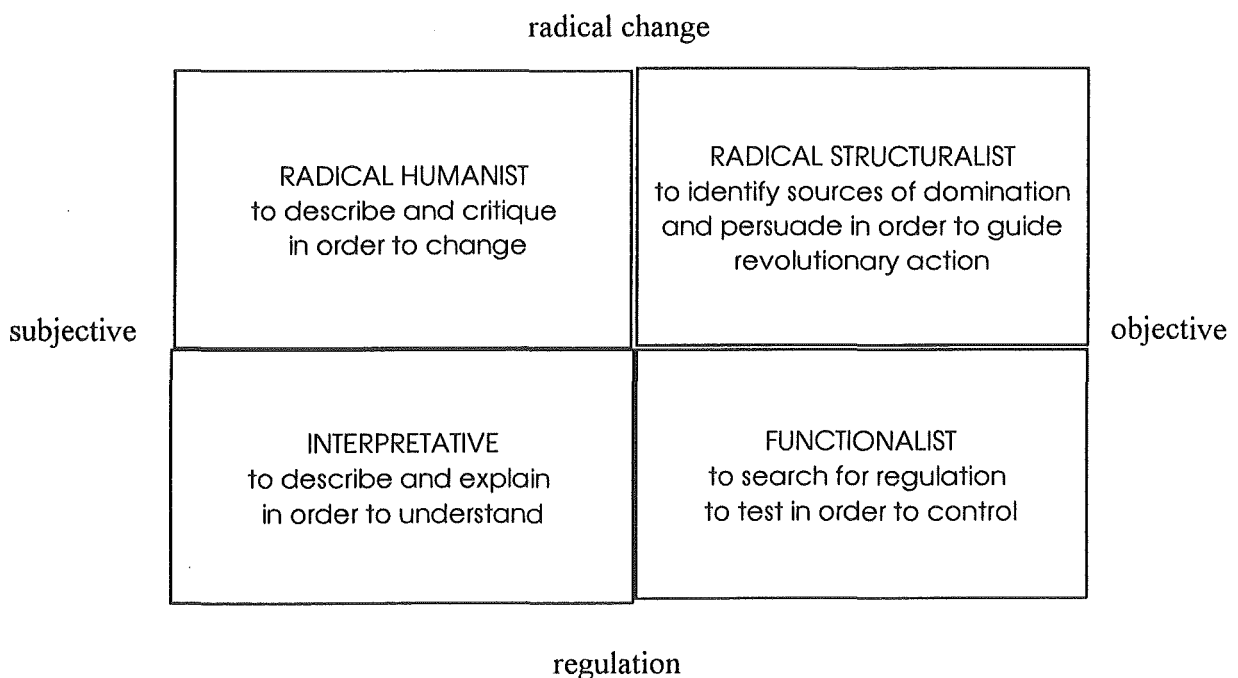
### Fitting into the Burrell & Morgan matrix

Burrell & Morgan (1979) have outlined four world-views with their constituent assumptions in *Sociological Paradigms and Organisational Analysis*. These world views are contained within four paradigms. A paradigm is

defined by very basic meta-theoretical assumptions which underwrite the frame of reference, mode of theorising and *modus operandi* of the social theorist who operate within them (Burrell & Morgan 1979:23).

Thus paradigms can be analysed by constituted assumptions, epistemological stance, and favoured methodology. But Burrell & Morgan (1979) acknowledge that a paradigm does not imply a unity of thought. This lack of unity is, however, embedded in an 'underlying unity' of assumptions which separates one group of theorists from other groups based on fundamentals which they claim are paradigmatic.

Figure 2.1 Burrell & Morgan (1979) Researcher Paradigms



The four cells of the matrix imply hard and fast boundaries. Functionalists see social interaction as explicitly regulatory and view the world as objective. The Interpretative paradigm is also concerned with implicit regulation, but views social interaction through a subjective lens where it is imbued with meaning. Radical Humanists place central emphasis upon human consciousness and are concerned with overturning the status quo of alienation, domination or false

consciousness. Radical Structuralists focus on a realist view of the structures of society with a view to overturning them.

Willmot (1993) notes that the four paradigms outlined by Burrell & Morgan (1979) are said to be mutually exclusive following from the views of Kuhn (1970). Willmot writes that 'paradigmatic closure' is misplaced and these artificially created boundaries are problematic. He suggests that a better approach would be to recognize both the diversity of assumptions which guide any analysis, and the ways in which assumptions may be combined. Willmott does not agree that the paradigms have clearly defined boundaries which would suggest an alternative categorization.

Guba and Lincoln (1994) have also created four locations for paradigms within the social sciences. They state that paradigms are 'human constructs', and thus 'can not be evaluated one over another on the basis of ultimate, foundational criteria'. The creation of the paradigms are therefore, more for identification purposes than for legitimating purposes. The four paradigms in this typology are Positivism, Postpositivism, Critical Theory *et al* and Constructivism. This schema is the basis for an ontological, epistemological and methodological analysis as suggested by Morgan (1983) in *Beyond Method*.

#### THE ONTOLOGICAL QUESTION

*What is the form and nature of reality and, therefore, what is there that can be known about it?*

*(Guba & Lincoln 1994:108)*

Morgan (1983) writes that implicit and explicit 'constitutive assumptions' concerning the nature of reality and human nature create a particular view of the social world. Therefore, all researchers need to 'unpack' their constitutive assumptions to reveal their world-view.

I am unable to completely accept that I can be identified by the ontological characteristics attributed to *only* one of the Burrell & Morgan (1979) cells, even though they claim that any work could be analysed using this matrix. They suggest that nominalists assume that the social world is not external to individual cognition but is made up of 'nothing more than names, concepts, and labels' which is believed to structure reality. Burrell & Morgan claim that for realists the world exists even if they are unaware of the existence of certain 'crucial structures' and therefore have no name or concepts to articulate them. What are the implicit and explicit consequences of accepting the nominalist/realist dichotomy? If these authors are to be believed, the dichotomy would place individuals in different paradigms. However, they suggest that only a 'conversion experience' makes it possible to move between paradigms. I am not aware of any

personal conversion experience, but the 'accident of my academic training' is such that nominalist/realist boundaries did not come to my notice. I accumulate knowledge (realist) from a variety of disciplines and add it to my personal discourse (nominalist) world-view. It may be that the Burrell & Morgan topology with implied rigid boundaries requires a reconsideration (Chia 1996; Boje 1995; Hassard 1993; Willmott 1993).

Guba & Lincoln (1994) have indeed developed a new typology that appears to take into account my dilemma. In their category of 'Critical Theory *et al*', they attribute an 'historical realism', a reified reality which, for practical purposes, is 'real'. If other discourses are in fact only 'historically real', but initially constructed, then I am able to fully identify myself with the relativist view of multiple constructed realities (nominalist). Solving this dilemma, however creates another. It appears that 'nominalism' also has multiple meanings. Burrell & Morgan (1979) write that nominalism is constructivism, but for Guba & Lincoln nominalism is outside of the 'alterable' constructions and their associated 'realities'. This discrepancy remains problematic as it appears that the Guba & Lincoln model builds on the model suggested by Burrell & Morgan.

I would argue that a personal ontology composed of a 'purity of constitutive assumptions' as suggested by Morgan (1983) is a tall order for any individual. I do not appear to be alone in this view. Palmer and Dunford (1996) claim that confusion reigns when scholars shift from a nominalist to a realist position within an academic paper. Torbert (1995) suggests that academics shift ontological positions over the course of a career. He calls for communication between paradigms rather than the necessity of a 'conversion experience' to change paradigms as suggested by Burrell & Morgan (1979). Torbert's view that paradigm 'switches' are possible is expanded in his developmental model. In this seven stage model of research, each new paradigm replaces the succeeding one. The final stage, 'Developmental Action Inquiry', embraces all previous paradigms, and thus, a researcher must have an oscillating ontology. Torbert does not make explicit this view of oscillation, but appears to understand the dilemma created by the malleability of the concept of 'reality'.

Implicit and explicit ontological views are not easily separated within paradigms or schools of thought. Individuals can and do have contradictory ideas simultaneously (Denzin & Lincoln 1994). One example is the anti-abortionist who throws bombs into abortion clinics. Another is Torbert's (1995) view that social science should have a universal paradigm, but those who practice Development Action Inquiry within that paradigm should know that 'generalization is recognised as occurring one person at a time', and incrementally 'within that person'. These examples are meant to illustrate the complexity of trying to create impermeable paradigm

boundaries. It may be possible to create 'idealised' paradigm classifications, but when a scholar's writings are analysed, contradictions become apparent. Thus, the paradigm typologies suggested by Burrell & Morgan (1979) and Guba & Lincoln (1994) could be a framework within which an individual's multiple constitutive assumptions in a variety of paradigms are identified rather than considered to be models of 'reality'.

Unpacking my constitutive assumptions has been difficult, but self-reflection is a major part of my research strategy as suggested by Morgan (1983). In part the difficulty arises from the lack of consensus as to the meaning of words within the literature, in part it comes from the view of 'closure' concerning boundaries of paradigms, and in part it comes from the difficulty of labelling one's own work. Morgan has stated that ontological assumptions of a research strategy are implicit and explicit, however, articulating the implicit assumptions which are by definition hidden from awareness is also problematical. These issues aside, for the benefit of the reader, (and the writer), I intend to articulate my positions generally, and where possible, specifically.

My general view of reality is that it is 'constructed'. It is constructed by people (participants and researcher and readers) who actively participate in that construction and who are in turn 'constructed' by their constructions (Boje 1995; Gergen 1994; Tonkin 1992; Granvotter 1985). But I also concur with Parker who writes

I do not believe that the world is infinitely pliable and [I] would want to assert that physical, biological and social constraints exist in a real sense outside of whether I want them to or not. (1990:207)

Thus, I remain in a constant state of flux in relation to 'reality'. The position that I claim is one of 'questioning'. 'Reality', and my experience of it, is an articulation of questioning both implicit and explicit 'constitutive assumptions'.

#### **Upon reflection:**

My personal logic rebels against labels and my social logic demands accepted labels. This tension, Denzin & Lincoln (1994) would argue is part of the 'Enlightenment Project', which would again bring me into conflict with positioning myself in a postmodern paradigm.

### **THE EPISTEMOLOGICAL QUESTION**

*What is the nature of the relationship between the knower or would-be-knower  
and what can be known?*

*(Guba & Lincoln 1994:108)*

Morgan (1983) expands this question to include the concept of 'favoured metaphor' which structures scientific enquiry. Thus epistemology is not just the relationships in the research



process, but also the 'concretizing' of a world-view within the research design. Guba & Lincoln (1994) suggest that for some paradigms the distinction between ontology and epistemology is invalid. The lack of such a distinction, however, does not change the questions concerning the surfacing of implicit and explicit beliefs and their relationship to knowledge and its production.

Knowledge paradigms are obviously shifting, and based on historical data, always have been (Hunt 1991; Beard 1934). I find it difficult to claim identification with one stream of intellectual thought or methodological practice as I feel caught up in the shifting; my 'epistemological stance' is shaky (Morgan 1983). However, for the purposes of claiming my academic space, metaphors, labels, and sign-posts have to be found (Marshall & Reason 1997). Because the academic study of management is multidisciplinary, boundaries and rules may be less rigid than in some other academic disciplines (Meyer 1991; Shrivastava & Lim 1989). None-the-less boundaries are expected. One way of discussing knowledge, its production, and its use is by labelling or naming boundaries (Huff & Reger 1987, Chaffee 1985). Academic disciplines, areas of study, fields of interest, conceptual categories, levels of analysis, explanation, exploration, description, strategy, strategic management, competitive strategy are some metaphors and boundary words commonly used in strategy research.

Language and its uses and abuses have historically been part of management literature (Astley & Zammuto 1992; Smircich & Stubbart 1985). However, the surge of cultural studies of organizations in the 1980s brought the issue of language use and mis-use to prominence. Morgan claims that the language we use is an indicator of our epistemological assumptions.

Metaphor is often just regarded as a device for embellishing discourse, but its significance is much greater than this. For the use of metaphor implies a *way of thinking* and a *way of seeing* that pervades how we understand our world.  
(Morgan 1986:12)

Metaphors help us to organise what we know and present 'sign-posts' to the like minded (Tsoukas 1993). The strategic management metaphors of strategy, structure, competition, and 'the environment' are indicators of my disciplinary location (Sosnoski 1995; Rouleau & Seguin 1995). Calling this study 'interpretative' places it within a specific knowledge framework which privileges specific research methodologies. Using 'interpretative' as a metaphor allows me to leave undefined specific boundaries; the general area of knowledge production through human interaction is implied (Kvale 1996; Morgan 1983). Interpretative also implies a positioning within a social science framework which at present appears to have shifting paradigms (Denzin & Lincoln 1994; Zald 1993).

### **Some comments about my multiple positionings:**

The Constructivist paradigm is created by discourse (including what some would call a positivistic stance) and makes no pretensions to truth (Guba & Lincoln 1994). Knowledge is not equated with truth, but with my perceptions as an investigator.

With the breakdown of the universal meta-narratives of legitimation, there is an emphasis on the local context, on the social and linguistic construction of a perspectival reality where knowledge is validated through practice... knowledge is perspectival, dependent on the viewpoint and values of the investigator... Today, the legitimation question of whether a study is scientific tends to be replaced by the pragmatic question of whether it provides useful knowledge. (Kvale 1996:42)

If reality is multiple, constructed, and divergent then interpretation must be multiple, constructed, and divergent (Denzin 1994). Meanings are attributed but cannot be known to be true as suggested by Evered & Louis (1981) concerning the presentation of an 'inside' or 'outside' story. I make no claim to meanings presented by any source 'outside' my head. These assumptions may be problematic for some; for me it is a 'truth' of interpretative inquiry.

A positivist view of subject/object does inform, if not account for, the thoughts concerning the relationship between the researcher to 'the researched' (Kvale 1996; Schwandt 1994; Turner 1992). The view of the 'self' or researcher as being different from 'the other' or 'the researched' is the basis of most objective social science. A wealth of debate has developed around the topic as concepts of 'other', 'other(s)', 'othering', and 'otherness' are articulated and questioned (Hardy & Clegg 1997; Kvale 1996; Denzin & Lincoln 1994; Fine 1994; Hassard 1993; Calas & Smircich 1991). Traditionally the authority of the researcher was unquestioned and 'the researched' were unproblematic 'subjects' (Boje & Rosile 1994; Schwandt 1994; Bauman 1992; Lather 1990). Although I wanted to present the experiences of the managers, because of the translation process required, all that seems possible is to be caught in the situation whereby the managers are the 'objects' of my 'arrogant researcher' moxie (Dubin 1982).

### **A pause for reflection:**

The issues of 'object' and 'subject' and 'objectivity' and 'subjectivity' are well debated within the postmodern research stream (Alvesson & Deetz 1996; Calas & Smircich 1991; Cooper & Burrell 1988). Most of the arguments are presented in such a way as to convince 'scientists'. I assume that readers of this text are 'already convinced' that knowledge is socially constructed. As noted my own research practise has made it impossible for me to take a rigid stance; all I can do is watch and comment upon how I 'subjugate' 'others' involved in 'my projects'.

## **EPISTEMOLOGY-STRATEGIC MANAGEMENT**

Foucault (1970) writes that the 'episteme' of an expert knowledge system is one of the material

products of any such system. Morgan (1983) argues that 'root metaphors' are the basis of 'scientific knowledge'. He edited a book in which 35 authors presented their particular academic discourse concerning organization and managing. The diversity of epistemologies are indicative of the wide variety of possible ways of making sense of management. As noted I am unable to claim any 'purity' of thought and thus present discourses from a number of academic disciplines which seems to be line with the field of strategic management. Schendel in a special edition of the *Strategic Management Journal*, states that

...strategic management is fundamentally an interdisciplinary subject, a field of practice and application, whose perspectives will shift and whose research approaches will be incommensurable, rendering it unlikely that a single paradigm will ever govern the field. (Schendel 1994:2)

If, as Schendel argues, strategic management is about change, then the lack of agreement about what 'strategic management' is or what a 'strategy' research agenda would look like is a reflection of the field itself (see chapter 6 for a fuller discussion). This lack of fundamentals is problematic for some, at the same time, it keeps the conversation going (Prahalad & Hamel 1994; Mahoney 1993). If the 'models, methods, assumptions, issues and challenges' (Schendel 1994) have little congruity across the field, the possibility of a unitary epistemology remains remote.

One possibility in addressing this apparent lack of epistemological purity is to perceive strategic management not as a 'natural science' but as a journey. That is what I do in this thesis.

## PREFERRED METHODOLOGIES

*How can the inquirer (would-be knower) go about finding out whatever he or she believes can be known? (Guba & Lincoln 1994:108)*

'Methodologies link the researcher to the situation being studied in terms of rules, procedures, and general protocol that operationalize the network of assumptions embodied in the researcher's paradigm and favoured epistemological stance' (Morgan 1983:21). In this section I will focus on a description of my preferred methodologies, which have been distilled from the methods employed in a number of disciplines.

Some scholars have argued that interpretative research designs offer only ambiguity and a lack of structure which are contrary to proper research (Montgomery 1988; Camerer 1985). Other scholars argue that it is just those characteristics which make interpretative research valuable

(Mahoney 1993; Bettis 1991; Schwenk & Dalton 1991). I take the position that in all stages of research, questions of ambiguity and structure are paramount, and it is the management of these characteristics which is the hallmark of good research (Watson 1994b). Judi Marshall (1997) calls this kind of research 'emergent inquiry'. The three features she suggests deserve attention are the emergent quality of the research methods, the emergent form of the cultural artifact, and the critical subjectivity which informs the journey.

Marshall (1997) also argues that emergent inquiry is a personalised research methodology, which is why it is suitable for management studies. It appears that the multidisciplinary nature of the study of strategic management allows me the freedom to embark on a journey of 'emergent inquiry'. I am able to explore and construct a methodology which is the most appropriate for my research questions, the data available, and my personal inquiry capabilities. Although Van Maanen (1988) has argued that research agenda are set to ensure the domination of certain schools of thought, or legitimacy given to specific voices as authority, my research is undertaken with the intention of adding to the variations within the strategic management 'conversation' rather than contributing to notions of domination (Morgan 1983).

#### **Data:**

Data is a word commonly used in scientific research. The word has specific localized meanings depending on academic disciplines or uses within individual research activities (Denzin 1994). Data is often defined by its source, the source carrying legitimacy within the boundaries produced by academic endeavour. In this study, data has multiple sources, such as interview tapes, industry archival material, television and radio transcriptions, newspaper and magazine articles, government reports, and academic literatures. Thus, multiple meanings. However, the simplest view of 'material used in the analysis of a research study' is the meaning which can be applied in all instances.

When using interview as methodology, as with many interpretative studies, the 'collection' of data is not separate and distinct from the 'analysis' of data. The process involves the 'systematic' collection of data, but it also involves the 'random' collection of data. As Dunkerley (1988) notes the role of 'serendipity and luck' in social research should not be underestimated. The unexpected is expected in interpretative research strategies because research is seen as a process of construction rather than a verifying process. David Boje (1995) writes about constructing realities of change and adaptation as a personal journey, a story depending on the location of the experience and the view from which it is experienced. My interpretative research project is represented as a journey which attempts to map both the 'systematic' process and its 'serendipity'.

One example of serendipity during this project was the input of Professor Judi Marshall. She came to the Department in August 1997 as an Erskine Scholar and gave a series of workshops on the practice of 'emergent inquiry'.

### **Researcher as instrument:**

A number of authors have described the interpretative researcher as an instrument (Yow 1995; Rubin & Rubin 1995; McCracken 1988). McCracken (1988) writes that interpretative research demands techniques of observation that allow the investigator 'to sort and 'winnow' the data, searching out patterns of association and assumption'. In the case of interpretative research 'the instrument' not only collects but also analyses data filtered through personal knowledge and experience (Kvale 1996; Reason & Marshall 1987; McCracken 1988).

Because of the individual character of the researcher as an instrument, each interpretative study is unique (Marshall & Reason 1997; Kvale 1996; Turner 1988). This idea of uniqueness vs standardization is part of a larger on-going debate within the strategic management literature concerning the desired direction of research (Pralhad 1995; Jaros 1994; Prahalad & Hamel 1994; Pettigrew 1992; Pfeffer 1992; Bettis 1991; Camerer 1985). It is expected that the broader debate will continue, but this project adds to the slowly growing number of unique interpretative studies in strategic management (eg. Easton *et al* 1993; Dougherty 1992; Gioia & Chittipeddi 1991; Westley & Mintzberg 1989; Spender 1989; Lewis 1988; Burgelman 1985; Hardy 1985).

### **Interviewing as a learning process:**

Interviewing as methodology is also a learning process which can be explained using the Kolb model of learning. He suggests that learning is a circular or spiral process involving concrete experience, reflective observation, abstract conceptualization and active experimentation (Kolb 1991). These general points/tasks are iterative at the pre-interview, interviewing, and post-interviewing phases of the research. The period between interviews is a time when information from other sources is also being added to the 'pool' of data, and this addition shapes the succeeding interviews (Brown & Canter 1985; Hardy 1985). For example, reading an article about the decline of footwear manufacturing in Brazil impinges on my consciousness and on the interview the next day with a manager in the declining footwear manufacturing industry in New Zealand. During the interview the expert knowledge of the New Zealand manufacturer was revealed as he described his experiences in factories in Brazil. These descriptions of Brazilian manufacturing then suggest a new set of questions, such as how knowledgeable of the world industry are this sample of managers? What does it mean to have a global perspective? These questions in turn inform the subsequent interviews.



The interview itself is the site of a multiplicity of tasks for the researcher as part of the knowledge production process. The ability to listen in a specific fashion is required of the interpretative researcher (Watson 1994a; Rubin & Rubin 1995; Hardy 1985). There is a need to give attention to the speaker, the words, previous interviews, new topics, old theories, new ideas, the setting, the social and political nuances, all of which are parts of what Polanyi calls the act of knowing (in Turner 1988). Kvale (1996) suggests that the skilful knowing involves seeking out, acquiring, and interpreting data at the time of the interview. The interview is also the place to obtain feedback about theories which have previously been used to explain similar research contexts or to verify tentative theories arising from the data analysis.

### **Data analysis:**

Hardy writes of interpretative inquiry analysis.

Analysis was in effect undertaken twice: once during and once after the interview...the final framework emerged from the data...all relevant groups are represented... [and] provide a wealth of perspectives, opinions and insights that form an important data base in the analysis of a social process...disparities in perception and opinion are often an important source of data in themselves (Hardy 1985:116-17).

This research has not been conducted using what would commonly be known as a 'pure form' of methodology. It is a mixture of inductive, deductive and comparative forms of collection\analysis\explanation\description to meet the requirement of interpretative inquiry data which is mainly the variance rather than the norm. Analysis is the ordering of data by accommodating and adjusting to a non-linear process of adaptation (Kvale 1996; Yow 1995; Daft 1983). Creating abstract categories in which to place 'analysis units' of similarity as well as of difference. However, to understand difference means to grasp that there is a 'gap' in the similarities. For as Daft says, new knowledge (articulated gaps) changes 'how we see things'. It is important however, to remember that the designations of difference and similarity are categories decided by me based on my ontological and epistemological assumptions and grounded in the management theory with which I am familiar.

The principal source of data in this study is the interviews with managers. It is expected that factual events will be recalled through socially constructed values and that the discussion of the data will take into account this subjectivity (Meacham 1995; Tonkin 1992; Shortter 1990). As questions of truth or falsity are not central to the research questions in this study, all information given by respondents will be accepted as the 'reality' constructed during the interview (Kvale, 1996; Rubin & Rubin 1995; Yow 1994).

The concept of interviewer as instrument also comes into 'play' when the primary data is transferred to a secondary medium. Just as interviewing is a multi-task process, so too is listening to the audio tapes to transfer the interview data into working manuscripts; documentation of interview data. The playback of each interview has a six part agenda which involves both cognitive and physical dexterity as they happen simultaneously. The listening to the interview tapes is an organizing process as the conversations in the interviews are subjected to scrutiny for verification of previous impressions, hearing and noting of old/new categories for comparison, and sparking ideas to be explored more closely, and reviewing the theories which inform the study. I also record quotes which support the previous impressions, creation of categories, and the ideas to develop further. Thus, the listening to the interviews is a complex and highly individual cognitive generative, iterative process of listening, connecting, theorizing, verifying previous connections, noting gaps of data within the interviews, and consciously or unconsciously creating a structure within which the analysis can be presented as articles or thesis chapters.

### **Data presentation:**

I would argue that the uniqueness of strategic management research lends itself to methods which are clearly representational; such as narrative. The creation of re-presentational forms (Brown 1995) is appropriate for 'sense making' according to Karl Weick (1995). Narrative, story, tale (synonyms) can be used to capture micro-versions of macro-phenomena or even a mini-version of a micro-phenomenon. For as Godfrey and Hill (1993) argue, it is the 'unobservables' which are not caught by much of strategic management research. This study will use narrative to 'trap' the unobservables and give them a location, as well as a 'voice'.

To construct a narrative I must first 'make sense' of the data collected (Weick 1995). Sense-making or interpretation is defined as applying concepts to phenomena through a process which involves contingent judgements (Kvale 1996; Denzin 1994; Kulka 1985). The judgments are necessary to create a 'whole' from fragments, to give form and structure to 'odd bits', to give 'one' point of view where many exist. Thus it is a technique which allows 'the real world' to be managed.

A second level of sense-making requires the integration of the reconstituted manager's stories and management theories (stories) into a new re-presentation. In this study the stories presented by the managers and re-presented by me, become models of narratives in the style of the 'ideal type' suggested by Weber (1970). My re-creation of a manager's story, of necessity, becomes a generalised/idealised narrative which is used in the analysis for both aggregating and re-conceptualising the data collected. The model stories are designed as a means of generating

conversations within the strategic management community (Kvale 1996; Spender 1989). Some people call this theorizing (Watson 1994a), some call it creating theory (Dubin 1971), Weick (1992) calls it theory work, but I prefer to tell 'tales' as suggested by (Van Maanen 1988).

The narratives constructed are intended to 'display' the experiences of managers in a de-regulating economy. However, a problem for all researchers is the 'transmission' of experience; firstly *from* the participants and secondly *to* the reader (Denzin 1994; Spender 1989; Thompson 1988). These re-presentations are an attempt to bridge the communication gap between the researcher and the reader (Spender 1989).

Many scholars claim that the meaning of a text is decided by the reader rather than the writer (Marshall 1995; Tonkin 1992; Spender 1989). The social constructivist view is that my words will be interpreted by readers with different understandings based on their own histories and preferences. Thus it is not what I say that is important, but how readers interpret what I have written (Denzin & Lincoln 1994; Rosenau 1991; Fiske 1989).

Leitch agrees that stories require both a teller and an audience. What makes an account a story is the ability to engage and satisfy 'the audience's narrativity', that is the audience's ability to construct a story by supplying 'the explicitly omitted connections' and resonances that allow them to savor stories as stories (Leitch 1986). For Leitch stories are designed to give more than just information; stories are interactive processes which allow their audience a certain kind of experience--the experience of 'making sense of the world' (1986).

Thus for researcher, manager and reader, all tales are social constructions which attempt to account for the 'uncertainties' and ambiguities by 'encouraging guesses' at contingent meanings and a final authority which never emerges (Leitch 1986). My final authority however, is the need to 'complete' the thesis which constrains the emerging process and this is why the final representation must be considered 'temporary'.

### **Literary devices and the production of knowledge:**

The knowledge claims within this thesis are constructed in and through rhetoric and language. The view that knowledge is located in the languages of that knowledge has been a topic of discussion for many postmodern theorists (Bourdieu 1988; Lyotard 1984; Foucault 1980; Derrida 1978). For some postmodernists the production of knowledge is a literary exercise which uses specific devices to convince, persuade and sometimes coerce (Bertens 1995; Backhouse *et al* 1993).

Two devices dominate written accounts of research; comparison and the logic of causality. These are so embedded in the academic structure, function and discourse that some would argue that these features were the hallmark of positivistic thinking (Lincoln 1985; Lincoln & Guba 1985). However, these devices are also the main components of narrative.

Comparison (or analogy) is also a normal literary device used within the knowledge production community (Tsoukas 1993; McGuigan & Black 1986; McCloskey 1985). A hierarchical habit of mind which is reinforced by experiences suggests the necessity of comparison for production of knowledge (Margolis 1993). I continue in this *stylistic* tradition using comparison both to suggest alternatives which are 'implied' as superior, and as a way of creating a 'common' thread between stories and industries. Comparison is also a convenient literary device for stating positions and claiming membership in schools of thought such as postmodernism and strategic management. The implied 'other' is ever present to ensure that what is important is privileged (Fine 1994). This literary device is used consciously to meet the 'expectations' of the readers (White 1987) and to fulfill the requirements of an academic thesis.

Leitch (1986) suggests that all narration deals with apparent cause and effect because of the need for structure within any tale. The organising of events and experiences into a logical time sequence is one way of inscribing but not 'proving', 'cause and effect' (White 1987; Leitch 1986). This study accepts that there is a distinction between 'scientific' cause and effect and the use of a 'literary device' which creates an 'impression' of cause and effect. At the same time, 'scientific cause and effect' is contested by many scholars (Chia 1996; Tsoukas 1993; Hunt 1991; McCloskey 1985). I make no claim to any implicit or explicit assumption of 'scientific' causality, causation or correlation. Instead, I take my base assumption from Leitch (1986) who writes that 'cause and effect' is a literary technique not an explanation of a phenomenon. Lincoln & Guba (1985) argue that it is impossible to distinguish cause from effect because of the 'mutual simultaneous shaping'. The 'cause and effect' format in this thesis is used as an expected literary form only (Tsoukas 1991; McGuigan & Black 1986; White 1978).

### **Endnote**

'Speaking for' or 'giving voice' is ultimately the *raison de etre* of all interpretive research.

There are two common factors in all of the accounts of interpretative inquiry (Watson 1994a; Stewart & Barsoux 1994; Spender 1989; Hardy 1985; Marshall 1984). Firstly the multi-task nature of the researcher, 'enquirer, mediator, critic, translator and sense maker' (Marshall 1984). And secondly, the working 'with' rather than 'against' the ambiguity and complexity in an attempt to focus on the diversity of experiences of the people involved in the research.

Time is also problematic for interpretative researchers. It is expected that additional information will continue to inform an emergent inquiry until at some arbitrary time the material is presented in a final form (Marshall 1997; Kvale 1996; Rubin & Rubin 1995). All of the interpretative research processes are iterative and overlapping. As Turner (1988) writes, there is a starting point but it appears that there is no logical stopping point found in the process. The endings in an interpretative study are usually forced, as there are always constraints such as time, lack of financial resources, or lack of access to data or deadlines for a finished write-up of the research.

Van Maanen captures the 'essence' of interpretative research.

The magic of telling impressionist tales is that they are always unfinished. With each retelling, we discover more of what we know. Because of their form and their dependence on the audience, meaning will be worked on again and again.  
(Van Maanen 1988: 122)

Construction of 'tales from the field' is magic.



*Christchurch 12:30pm October 1994*

*I am totally depressed. I just finished reading Managers and Competition, it is my thesis!!! They write about how competition is also cooperation. And it took 4 professors and who knows how many research assistants.*

*But they didn't send any of those research assistants down to New Zealand, so this is still 'an original contribution'! Small mercies for small nations and small aspirations?*

*Christchurch 9:30pm April 1996*

*I am working on my paper for the Narratives and Metaphors Conference and trying to deal with the problem of voice. I keep going on and on, methods, theory, theory, methods and no place for the managers! I say that the purpose of the paper is to get managers out of the black box, but I keep putting them back there.*

*I actually began the thesis research with the intention of using the experiences of the managers, but in the writing the managers keep getting lost. Using quotes in the discussion section is not what I want. I have to edit, I have to leave some really good bits out because of confidentiality, people talk in circles I have to make the stories a straight line. I end up 'making up' stories which puts me back into objectifying the subjects. But there is no way around it, all I can do is re-present the stories I heard. Crisis of representation!*

*Christchurch 3:00pm January 1997*

*I have to find some way to add the theory that informs the thesis. Great lumps of theory will drown out the managers. Great lumps of Toby drowns out the managers. Keep it simple, how about some history, some managers, some theoretical topic which informs individual chapters located in each of the chapters? Spread the theory out, so that each of the chapters has some relevant theory, but theory which relates to different levels of analysis such as declining industries or competition or use of narrative, there is just not enough room for the managers and all the theory. An example of fragmented identities? Or research as resistance? Or diversity of discourse? Or just plain indeterminacy?*

## TO TELL A TALE

Juggling the abstract and the practical is most evident in the chapters of this thesis which report the research findings (chapters 3, 5 & 7) as the discussion moves from academic discourse to descriptions of the industries studied. As befits a *bricoleur*, in these chapters I move in and through the boundaries of disciplines (such as strategic management, literary criticism, social history, anthropology) and weave together ideas from a variety of subject areas (such as methods, knowledge production, narrative, strategy).

These chapters present some of the views of knowledge production which accepts that knowledge is located, produced and processed within the umbrella of 'stories'. The stories are located within a stream of thought which values both the teller of the tale and the listener of the tale as co-present and thus co-producers of the tale (Kvale 1996; Gummesson 1991; Tonkin 1992). The personal experiences of both are enmeshed in the tale and the meaning of the tale is as many-sided as the readings and the readers. Thus the 'stories', far from being objects which are stable and decided, are everchanging, everbecoming, moving pictures of the mind and body. Stories are enacted (Weick 1995; Boje 1994; Tonkin 1992; Smircich & Stubbart 1985).

The stories in this study are constructions from verbal accounts which illustrate a diversity of managerial tellings as well as experiencings (Watson 1994a; Boje 1991; Lewis 1988; Spender 1989). The construction is part of my experiment in presenting methodological alternatives called for in a number of strategic management review articles (eg., Snow & Thomas 1994; Schwenk & Dalton 1991).

**Re-presentations, a crisis?**

Denzin and Lincoln (1994) suggest that we are in a 'representational crisis'. The crisis refers to the paradox inherent in interpretative methodologies which attempt to 'best describe and interpret the experiences' of other people. The very process of producing a written document moves us towards 'speaking for the Other' rather than 'the Other' speaking for themselves (Clegg *et al* 1996; Kvale 1996; Fine 1994; Foucault 1980). For no matter how strong the intention is to 'interpret the experiences' of Others, personal choices of inclusion and exclusion based on a researcher agenda creates a 'reality' which may or may not be related to the 'experiences' reported. It seems to me that there are two possible solutions to this problem. Firstly, to work closely with 'participants' at their request using such methodologies as 'cooperative inquiry'

(Marshall & Reason 1997) or 'action research' (Eden 1992). The second possibility is to acknowledge that 'interpretative methodologies' are by definition 'representational,' and to use techniques to highlight this fact.

My research cannot be considered cooperative inquiry or action research because of the way in which it was conducted. I had questions which I wanted answered for an academic research project which would result in an academic model of knowledge. This report cannot be considered as a co-production with others even though the data, the conversations, was a co-production (Kvale 1996; Tonkin 1992). Thus, my report must be a 're-presentational account' of the experiences of managers constructed from the data available (Fine 1994; Jeffcutt 1993). The representations are informed by ideas which have currency in literary criticism, communication studies and cognitive science concerning the narrative form.

### **Creating the data:**

Fisher (1987) argues that all forms of communication are narrative.

... all forms of human communication can be seen fundamentally as stories, as interpretations of aspects of the world occurring in time and shaped by history, culture, and character. (Fisher 1987: xii)

Hutchins (1995) adds to this view of communication as narrative by suggesting that communication in a shared world is negotiated.

Communication between persons who are copresent in a shared physical environment differs in many ways from communication across a restricted bandwidth medium... In this relatively rich face-to-face interaction, an understanding can be negotiated. (Hutchins 1995:232)

I 'negotiated' questions of strategy and structure within the New Zealand wine industry with managers from 19 wineries in their place of business. The managers were from three main wine producing regions in New Zealand. Christchurch has 24 wineries and is noted for its Riesling. Marlborough produces the largest volume of wine in the country and has 43 listed wineries (WINZ 1996). Sauvignon Blanc is the most noted variety from the region; according to the locals it 'grows like a weed'. Auckland is the third area in which interviews took place. The Auckland region is the oldest wine growing region in New Zealand, however urban growth has drastically reduced the acres under cultivation. None-the-less the power within the industry still rests in Auckland, the location of the head offices of the largest wineries and the producer associations.

As well as regional differences, I explored diversity within the industry by talking with managers

from large and small wineries. The owner of the smallest company in this study has no permanent employees, but recruits family members and casual staff as needed. He drives the tractor, chases away the birds, and watches the weather. He also oversees the wine-making, the bottling, and the marketing. Most decisions are made around the kitchen table. The largest company in this study, and in the country, has 450 permanent employees with branch operations in a number of regions and a corporate headquarters in Auckland. The CEO of this company does work in his shirt sleeves but leaves the tractor driving to others.

### **Constructing narrative knowledge:**

If a story is a 'negotiated understanding' it requires form and structure. Czarniawska-Joerges (1995) writes that the narrative form is found in organization studies in: tales of the field, tales in the field, and as an interpretive style. She suggests that we accept that the writing of researchers is 'doomed' to be representational. Rather than 'pruning the impulse', she suggests that we accept the irony of the situation and write in the style which suits our purpose.

The acceptance of narrative as a 'normal' way to write about research requires the acknowledgement that narrative features are part of any form of knowledge production. These features are the commonly considered questions in research; who, where, when and why. However, an awareness of the style of the writing in terms of the narrative author-ity is most important. Author-ity is located in the epistemological position of the writer (Morgan 1983). A postmodern rendering presents the opportunity for an ever increasing acknowledgement of who is producing the script in contrast to the assumed 'authority' which characterises much of 'scientific' writing (Kilduff & Mehra 1997; Boje 1995; Hassard 1993). Two features, location and time, create the context within which the author-ity is placed. The process of the research, the temporal element, added to the academic location as well as the field location are indicators of the power relations within a research project. These features can then be evaluated by including reflexively in the text (Hardy & Clegg 1997; Watson 1995). Czarniawska-Joerges argues that concerns of author-ity in a reflexive style are features of a good story, and thus the features of a good account of a research project.

I have taken into account narrative theory in the production of this thesis. However, I make no attempt at 'narrative analysis', but use 'stories' to shape the 'disorderly experiences' of the managers and the researcher (Riessman 1993). The constructed stories mostly follow the narrative style with a beginning, middle and end and take into account time and location. I attempt to locate the 'author-ity' where it is most appropriate; within managerial tales, researcher tales or academic tales. Thus the production of knowledge is implicit and explicit in the 'stories' which make up this text although this novel approach is not very common within the management literature.

Two previous projects (Boje & Rosile 1994; Boje 1995) have successfully integrated the features of narrative into the presentation of research projects. The first of these exemplifies the use of the four ingredients of a good story suggested by Czarniawska-Joerges (1995). The article is an account of a research project in which the stories of the authors are interwoven with the stories of the subjects. The 'subjects' are both the academic issues (voice and diversity) and the producers of knowledge. The issues are presented in an academic discourse and the 'voice of the participants'. The discourses moreover, are not presented in the form of an academic debate, but in the form of a 'never ending story'.

A second article by Boje (1995) outlines a journey into two 'realities'; Tamara-Land' and 'Disney's World'. Tamara-Land is a long-running play in which the audience follows the story line by physically following the players through a house. Each actor plays out a series of events and interactions, but where and when an audience member 'happens' upon the action colours their interpretation. Thus, all interpretations of the story are personal experiences. The perception of the story-line is constantly being called into question as the possibility of a multitude of viewpoints presents itself.

The article also takes us on an intellectual journey of change and adaptation. Boje's personal journey evolves from the process of deconstruction of 'official' histories which have been constructed inside and outside of the Disney organization. He has created yet another version of Disney's World which is just another one of many possible 'seeings' of the stories of a story-telling organization. However, those perspectives which are given 'voice' can and do hide, mask, dominate (see chapters 4 & 6) and eliminate other voices. The discussion of the process of the production of knowledge within a narrative paradigm suggests new ways of surfacing the problems of representation. Both articles attempt new forms of re-presentation of research data within a narrative form which become models for future research projects.

### **Closer to home:**

Narrative is communication according to many scholars (eg. Fisher 1987; Hutchins 1995). For communication to take place a sense-making process is required; interpretation is required to deduce meaning (Kaye 1994). Often sense-making is located within a story. Thus, communication and stories are one and the same. It is possible to communicate without a 'story', but as White (1978) argues the expected structure is already located in the text

I take the view that the people do not have to be in the same place at the same time, such as in the Tamara-Land play, for communication to take place. Thus members of 'an industry' can

create, develop, and expand on group as well as personal stories which are stories of the 'industry' (Spender 1989). Boyce (1995) argues that sense-making is a collective activity 'whereby groups interactively create social reality'. Even though meanings are not universally shared by all members, there is an 'intersection and/or overlap of several different perspectives co-existing within a group'. Blackler (1993) introduces 'activity theory' into the management field describing a process of 'social construction'. This social construction (Kvale 1996; Smircich & Stubbart 1995; Berger & Luckmann 1966) of a reality is observable in the industries studied for this thesis. Telling of stories as a way of 'negotiating' reality has been utilized by both the managers and myself.

Kaye (1996) suggests that myths, fables and archetypes are useful for understanding organizations. Common themes run through organizational tales such as; the creation story, the journey for 'the grail', dragon slaying. Although I do not use these 'categories' to order the stories in this thesis, for those who enjoy puzzles, many of the stories could easily be 'placed' within each category or theme. Although Kaye writes about organizations, I assume that stories are also useful for understanding an industry.

### **Narratives & Metaphors:**

I notice that I have not mentioned metaphors. If 'reality' is constructed through social interaction then 'reality' must be 'located in language', and much of our language is comparative, metaphoric (White 1987).

Why use metaphors? As noted earlier, Morgan (1986) suggests that metaphors create a discourse 'in common' because they are very efficient in dealing with loose ends, incompleteness, and uncertainty. Metaphors used 'in common' also help to ease the social relations between researcher and 'the researched'. Interviews are social interactions wherein protocols, most of which are not articulated, are expected to be observed by both parties (Tonkin 1992). Issues of power related to gender, age, expertise, status and family positioning are negotiated through the use of common metaphors. In this instance metaphors such as 'manager' and 'researcher' helped define boundaries within the social interaction (Yow 1995; Marshall & McLean 1988).

I am assuming that both the researcher and the managers used common metaphors because the 'literal' meaning of words is too complex. Words such as 'strategy' and 'industry' are very complex with both specialist and lay meanings. In this study metaphors are used to bridge gaps in knowledge of both the researcher and the managers (Daft 1983).

Metaphors also help transmit our 'inexpressible' experiences (White 1987). I use metaphors



consciously to travel the gulf between unstated and unclarified personal meanings of manager's experiences. (For a good synopsis of meaning see Gray, Bougon & Donnellon 1985). During the interviews, I did not attempt to elicit personal meanings for the metaphors which were used in conversation. Thus, 'manager' and 'strategy' and 'industry' will have meanings created as much by the readers as by the parties involved in the research interviews.

### **Tensions that bind:**

I have included some discussion about the difficulty of defining 'industry' in Chapter 4 and present a variety of meanings for 'strategy' in Chapter 6. At this point it is sufficient to say that I use 'manager' as a generic term which hides the diversity of the participants in the research. This is a good example of my positivistic tendencies! Managers can be male or female, young or old or anywhere in between. Some of the managers owned their businesses, some were 'hands on' owners, others were managing from the board room. I spoke with production managers, marketing managers and general managers (the Preface has a more extensive description of participants in this study). I decided that in writing the thesis the term 'owner' was too narrow as was 'CEO'. Manager, at least in my mind, is a decision-making person who attempts to make sense of the decision-making process through being informed by a variety of stories.

*Back to the stories, this time about strategy.*

### **Stories of strategy and Michael E Porter:**

Barry & Elmes (1997) argue that strategies can be also be read as narratives. Narratives (in this thesis tales and stories are synonyms) refer to 'thematic, sequenced accounts which convey meaning from implied author to implied reader'.

They argue that narratives are especially good at capturing diversity and complexity.

More than many other approaches, narrative theory assumes that subjective, heterogeneous interpretations of texts are the norm; different readers are assumed to "get it" differently, depending on their history, values, or even which side of the bed they rise from. (Barry & Elmes 1997:432)

Barry & Elmes (1997) assume that 'strategy' can be read as a form of fiction and use a simple model for interpretative purposes: novelty value and believability. Issues of interest are voice, plot and readership. They question author-ity by asking 'who says'? how is it said? and how it is read?

Various strategic theoretical frameworks succeed one another because organizational readers have shifting preferences and attention spans, and not

because of some Darwinian progression towards an ultra-fit theory. In other words, the currency of today's strategic models may have less to do with accuracy or predictability than with their appeal to current tastes and interests. (Barry & Elmes 1997:439)

They outline a narrative reading of three schools of strategic thought (Mintzberg 1990 and more in chapter 6). The design school can be read as an epic in which strategists become epic journeyers, systematically navigating 'towards opportunities and away from threats'. (Barry & Elmes 1997). The planning school is a journey into the future based on quasi-scientific forecasts. The positioning school (in which Mintzberg places Porter) is considered a Purist narrative. This narrative 'entices readers with 'ready-made identities, strategic purity, and a guarantee of sorts' such as 'gaining above industry profits' or not being 'stuck in the middle' (Porter 1980).

Although Barry & Elmes (1997) argue that Porter has 'ready-made' identities, most of the managers I spoke with had not heard of Porter or read his books. However, my judgement is that they are affected by his ideas (more of the reasons why in Chapter 4). Therefore, I choose to locate the stories of the managers involved in this study within a Porter-esque discourse (Forster & Browne 1996). The conversations with the managers were located within a discourse of strategy, competition, and markets. These words created the context within which individual stories evolved and were told. I have translated these conversations into written stories and organized them within a structure of 'prescriptions' from *Competitive Strategy*, Porter's best seller. (It sold over 200,000 copies!)

**Knowledge claim #2: competition and cooperation are necessary  
for industry survival in an emerging industry.**

As noted earlier I began the project attempting to reconcile my reading of Porter's view of the world of business with my view of business as experienced in New Zealand. What emerged from the footwear industry data was that competition/cooperation was practised and valued. Thus, I added a verifying question for the wine and printing industry managers. During the interviews I told the managers that I thought that in New Zealand the idea of competition as the polar opposite of cooperation was not correct. That I considered, in some way, competition and cooperation were intertwined (I showed this by lacing my fingers together). And I asked for comments on this proposition. The majority of managers from the two industries agreed with me in general, usually giving specific examples. However, the diversity of belief was evident when telling about specific situations, as will be mentioned in the wine industry story. However, their stories seem to support the social systems view that competitive and cooperative practices are evident in 'every relationship' (Easton *et al* 1993; Van de Ven & Garud 1987).

### **Problematics and discourse:**

I have taken three points into account in presenting this data. The points remain questions for me in terms of any analysis or knowledge claim. Firstly the words 'competition' and 'cooperation' were never defined by me or by the managers. We both assumed a 'meaning' in common. As noted above I am not sure that any 'common' meaning can ever be achieved, but clearly an attempt to clarify meaning would be a step closer; or would it?

Secondly, the words 'competition' and 'cooperation' have very specific meanings within academic discourse. For example 'competition' for an economist (despite the view that economics is constructed in rhetoric, Brown 1993; McCloskey 1985) has a meaning which varies from that accepted by a marketer or has it? Do managers without an economics degree apply 'competition' to practices that are outside a 'model' developed by an economist? I would argue just that. The managers I spoke with were not economists, some of them were engineers, some of them were farmers, some of them were 'business men', but none of them spoke to me about 'perfectly competitive markets' or 'oligarchies'. The only one who actually spoke about 'the theory of competition' was a lawyer before he became a winemaker! Cooperation was not called 'collusion' or 'alliance' by the managers, even when they talked about being undercut by 30%.

A third point is that although the managers had not heard of Michael Porter, my own introduction to his work within strategic management has been used as a way of interpreting the conversations about strategy and structure within the New Zealand context. For me this remains problematic as his 1980 book was clearly designed for corporations, big business and multilayered industries within the American context when the US government was worried about the growth of Japanese manufacturing and of Russian nuclear capability (Schwartz 1994).

Is it even reasonable to ask whether his ideas are valid within the context of small businesses in a small nation over 20 years later? If Porter had not been involved in an economic 'audit' of the country, I would say no, but as his views of competition and cooperation are part of the economic policy making agenda of the New Zealand government. Thus, his views may be assessed from the viewpoint of those in business in an environment which is moulded by that policy. The dominating effects of the strategic management discourse will be discussed further in chapters 4, 6 and 8.

As it was not my intention to invent new models to explain 'reality' or even to model 'reality', I use Porter's prescriptive models as structures for the managerial stories or descriptions, more as temporary boundaries than as permanent models. Using these orderings remains problematic, but

it allows the location of the managers' stories within a strategic management discourse which they themselves did not construct or use. The designations remain Porter's. Evidently there are three different ways of producing knowledge: Porter's analysis from his experiments and experience, managing in a de-regulating economy, and my attempt to construct a research narrative from the other two. I make no attempt at a conceptual integration, but do attempt a 'structural' integration.

### **Strategy and structure:**

Although strategic management is a 'multidisciplinary' field, economists seem to have captured much of the area (Schendel 1991). One major area 'captured' centres around the strategy, structure, performance model developed by a number of industrial organization economists interested in industries and national wealth (eg. Cave, Bain, Spence, Porter also Thorelli). Thus, strategy and structure have become important concepts within the field of strategic management (Amburgey & Dacin 1994; Galunic & Eisenhardt 1994; Hamilton & Shergill 1993; Miller 1986).

Strategy is a common business metaphor which has a wide variety of meanings in both the academic and non-academic business world. Within the academic discipline of strategic management, strategy has been used to mean long range planning (Ansoff 1965), contingency (Mintzberg & McHugh 1985), action (Porter 1980), and intention (Hamel & Prahalad 1989). Shrivastava (1986) even wonders if strategic management is an ideology. I can offer no better definition of strategy, so I leave it as a metaphor which can be read as either a literary device to enable this study to be written about, or a 'real' but undefinable 'thing' which exists in the world.

The definition of structure is problematic in strategic management usage. Meanings differ and are most imprecise; 'structure' is used to indicate the internal organization of a company (Amburgey & Dacin 1994; Chandler 1962). Structure is also used to indicate the relationships within industries (Galunic & Eisenhardt 1994; Miller 1986).

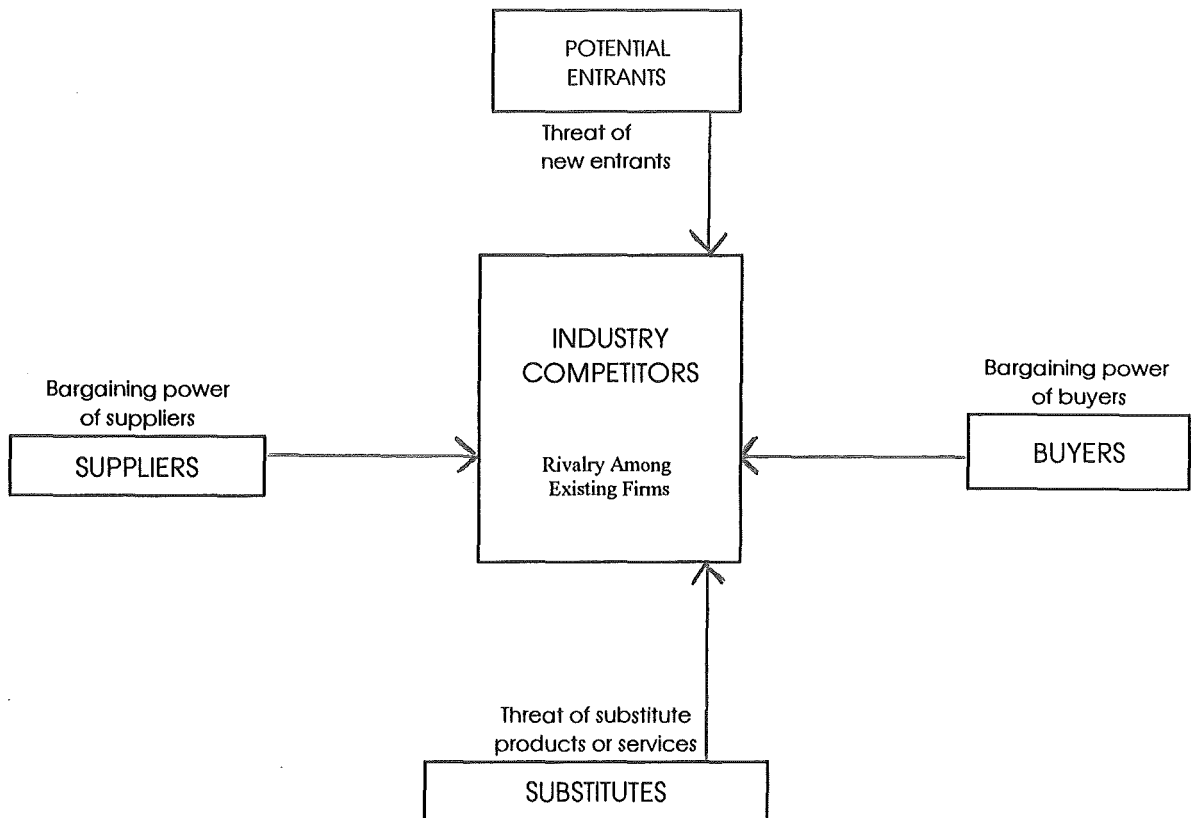
### **Porter's five forces frame:**

One author from the structure-strategy-performance stream who has had a major impact in the strategic management field is Michael E Porter (a discussion of his work is undertaken in Chapter 6). In this study 'structure of an industry' is that which could be described using Porter's (1979) five forces framework. He writes:

Every industry has an underlying structure, or a set of fundamental economic and technical characteristics, that gives rise to these competitive forces. The strategist, wanting to position his or her company to cope best with its industry environment or to influence that environment in the company's favor, must learn what makes the environment tick. (Porter 1979:138)

Thus, knowing the ‘underlying sources of competitive pressure’ will give the direction for strategic action.

Figure 3.1 Porter’s Five Forces Framework



Source: *Competitive Strategy* 1980:4

This study did not question managers on whether or not they used the five forces model for deciding strategy. However, I will use it as a way of describing industry structure based on the interview data.

#### **The structure of an emerging industry in a small society:**

New Zealand is a small nation with a population of just 3.6 million. By world standards the New Zealand wine industry is also very small, annually contributing less than 1% of total world production. The largest of the world producers, Italy and France, export more than 1,000 million litres yearly. In 1994 Australia exported 126m litres compared to the 8m litres exported by New Zealand (Enderwick & Akoorie 1996; Forbes & Spawton 1995). Because of the small amount it produces, the entire New Zealand wine industry is considered a ‘boutique winery’ when viewed

in the context of a global industry. However, within the country it is perceived as a middling-sized manufacturing industry directly employing over 2000 people.

Table 3.1 indicates the growing nature of the New Zealand wine industry, as would be expected of an 'emerging' industry. The industry is dominated by two large companies which share 80% of the domestic market. Around fifteen long-established family firms continue to supply non-bulk wine for the domestic market. However, majority of firms are very small, and are either life-style investments or companies which are part of a diversification of a larger enterprise. These small wineries have mostly positioned themselves in niches within the domestic market.

Table 3.1 The growth of the New Zealand Wine Industry.

New Zealand Wine Industry 1986-1996			
	1986	1991	1996
total vines (hectares)	4,500	5,980	8,293
Tonnes crushed	54,694	65,708	75,300
Domestic Sales '000litres	50.8	41.3	32.5
Export Volume '000litres	1.1	5.6	11.0
Wineries exporting	22	23	53
Number of wineries	106	151	236

Source: Wine Institute of New Zealand, Annual Reports, 1985-1996.

According to the Wine Institute of New Zealand (1996) the domestic market is mature (or declining) but as one winemaker said, *'99% of the world have not tasted New Zealand wine!'* The possibility of growth in the export market is the focus of about 50 winemakers in 1996. This perceived opportunity is the reason given for the continued growth in the number of licensed winemakers, the planting of increasing numbers of vines, and direct foreign investment. While it is true that entry costs are now prohibitive (a 1996 prospectus for Medway River Vineyard indicates a \$2.31m project), licences are still readily available and there is little restriction on foreign investment.

Wine, unlike other commodity industries, cannot easily be changed by substitution. The value of wine is its uniqueness. That uniqueness is played out in grape varieties, regional affects on the grapes, the individuality of the winemaker and the difference brought to the process by the changing environment factors. However, the limited size of the grape growing areas within New Zealand puts pressure on supplies for current markets and any growth in the future.



Customers also have a special place within the wine industry. Wine (although it is a manufactured product) is valued both as a food and as an investment. Reputations for quality and rarity are balanced by the normality of drinking wine as part of social interaction. The ambiguity of the product creates both certainty and uncertainty regarding the power of the buyers.

In 1996 there were 238 companies licenced to produce wine in New Zealand. The industry association, the Wine Institute of New Zealand, divides enterprises into three categories based on annual sales (by volume in litres). The greatest volume is produced by the four largest companies; each of which sells over 2 million litres a year. A middle tier of companies, 13 in 1996, each marketed volumes of not less than 200,000 litres. The great majority of firms within the industry have sales of less than that amount. Thus, the principal characteristic of the wine industry is the range of company size, from the very small to the very large (WINZ1996).

### **Porter's strategies for emerging industries:**

Porter has written extensively on the characteristics of an emerging industry. He suggests four strategies for firms which will allegedly affect industry structure and ensure higher than the average industry profit to the firms which take his advice. Although I am not sure whether or not firms have higher than average profits, I am aware of strategies which appear to be shaping industry structure. Thus, the stories which follow re-present strategic journeys located within the organizing structure of Porter's (1980) prescriptive strategies.

#### **1. Shaping industry structure:**

Porter (1980) and others (eg. Burt 1992) urge managers to take the initiative and follow strategies which will shape the industry by taking advantage of possible opportunities unnoticed by others. However, the flexibility required to facilitate a rapid change of direction appears to be in direct contradiction to the idea of strategy. Strategy as paradox?

The wine industry development plan (more in chapter 4) recommended that the government support the growth of the wine industry in becoming an 'export' industry. Governmental involvement in terms of practical advice and encouragement, is outlined in this tale of innovation.

*I have been involved with industry export from the beginning [1990]. The government said you get yourselves together as a group and we will set down a plan with the industry of where you are going to be in five years time. Then let's look at the strategic plan of where you are going to be in 2000. They had a huge amount to put in to start with and we had very little but after five years the scales were the other way. We are now self-sufficient [New Zealand Wine Exporters].*

*Trade missions overseas get us to look at the market and say where do we fit with this market as a company and as a country. When you market your wine overseas, as a company you are nothing. As a country you have a far better chance. Going as a group you can get to far more people. We sell them New Zealand and then further down the track you can sell them your wines. In the world they are astonished that we are so close as an industry, that we can actually push each others' wines. Our industry is reasonably small in New Zealand. It is very much like a family, a family industry.*

*New Zealand has good wine because we set our own standards. We [the industry] require high export standards and we are always trying to improve our industry. Our strategy is to get better than the present world standard.*

*Our firm saw it as a window of opportunity to take our exports into the UK market, we were fledglings at that stage, we were small and we had an agent who thought small. We've moved up three levels since then. We are now developing an export committee within our company. It is very hard to have a strategy on the export market because you don't know what your dollar is going to be worth at the end of the day; you don't know who is going to be your competition in 5 years time.*

*We were the first company in New Zealand in Sauvignon Blanc. We were regarded as very innovative. We are forever changing our vineyards and keeping up with the trends. We look at the world market. Those are the trends we go with. Our strategy is to move from making good wine at a high price to making good wine at a low price. Our strategy is to keep up with the world, we are also working on ISO 9000 accreditation. That makes you think about your future.*

*It will be interesting in the next few years to see if we [the industry] are going to set up a cooperative to export. As a cooperative who is to know where we would go.*

Innovation appears to have motivated this manager in the past, and will continue to do so into the future. His tale seems to fit Porter's advice to shape the industry. Most international wine awards won by New Zealand wineries are for Sauvignon Blanc and the UK is the largest overseas market for New Zealand wine at present.

## 2. Industry development:

*In theory we are competing with one another, in theory we are. In practice it doesn't seem to work out like that. It is rather odd.*

As noted in table 3.1, more enterprises than ever before are producing wine in New Zealand. The continued expansion of the New Zealand industry suggests that it is an 'emerging' industry as defined by Porter (1980). And according to Porter, if an industry is emerging, then firms would be faced with the 'dilemma' of choosing between practises of cooperation or competition to ensure its development.

The next two sections outline some of the practises and values relating to cooperation and competition within the New Zealand wine industry. Although the managers in this study did not necessarily describe having to make *choices* between competition or cooperation, they indicated that industry relationships did have elements of both as suggested by Van de Ven & Garud (1987) and Easton *et al* (1993). It is possible that for some of the winemakers 'competition' has the original Latin meaning 'to work together' for the development of the industry.

### COOPERATION

Classical strategic management theory stresses strategies which are designed to gain and maintain market dominance (eg Porter 1980). All industries are considered to be made up of players who expect to get the 'lion's share', and good business practice is considered to be the development and implementation of strategies to eliminate rivals (eg. Crocombe *et al* 1991). The theoretical basis of the of the discussion according to Easton *et al* (1993) is located in the academic discipline of the scholar. Porter is hard to pin down in this area, for although he trained initially as an economist he often 'speaks' like a marketer. It could be argued that his PhD thesis was as much a marketing thesis as an economics thesis (Porter 1973). His work (1990, 1985, 1980) is a good example of the economics and marketing views of competition and industry which dominate the strategic management literature. It focuses the discussion on 'competition' which leaves little room for discussions of 'cooperation' although a small and persistent literature has appeared (eg. Grieco & Lilja 1996; Kenworthy 1995; Burt 1992; Dollinger 1990; Nielsen 1988).

Easton *et al* (1993) suggest that 'competition' is a more complex concept than commonly assumed. In their discussion of competition, they outline five types of industry relationship which range from conflict to collusion. I developed this table (table 3.2) as one means of comparing the factors in their discussion. As the table indicates, 'competition' is not a homogeneous concept.

Table 3.2 Industry Relationships.

A Range of Industry Relationships					
	<i>Perspective</i>	<i>Action</i>	<i>Attitude</i>	<i>Desired Result</i>	<i>Theoretical Basis</i>
conflict	opponent-centred	competition to eliminate	hostility	monopoly	economics
competition	customer-orientated	attempt to dominate	rivalry	sustainable competitive advantage	marketing
coexistence	absence of competition	independent action	indifference	niche market	social psychology
cooperation	<b>industry-centred</b>	<b>joint actions</b>	<b>inter-dependence</b>	<b>industry survival</b>	<b>inter-disciplinary</b>
collusion	vested-interest	regulation to exclude	greed	oligarchy	economics

Easton *et al* (1993) *Managers and Competition*

However, table 3.2 is also a simplification of a complexity of cooperative practices suggested by Easton *et al* (1993:218-21). They elaborate on the formal and informal practices of industry cooperation, specifying characteristics for each. Much of the discussion centres on formalised structures such as joint ventures or interlocking directorships. However, informal cooperative practices, such as the transfer of information or people in and around an industry in 'mutual exchanges' are also discussed. One manager in the printing industries talked about '*respecting one another's clients, but using one another's knowhow*'.

In light of the conversations with members of the New Zealand wine industry, I would argue that this study shows most managers are industry-centred by choosing joint actions. The managers are aware of the inter-dependence of companies which engage in a variety of formal and informal cooperative practices to ensure industry survival. This view of how industries work appears to concur with the research of a few others in the field (Lado *et al* 1997; Gummesson forthcoming; Bresser 1988) who also have a multi-disciplinary perspective.

#### Cooperation at the cellar door:

*I don't really think of anyone as being competitors, I think we are all part of an industry. We make our style of wine and all the other wineries make their style of wines.*

*There is a strength in us all belonging and pushing the barrow together.*

The values of cooperation in the wine industry are apparent in a variety of formal and informal (Easton *et al* 1993) practises. Although two of the managers in this study appear to fall into the 'coexistence' category of table 3.2, all other managers indicated that cooperation was an integral part of the industry. Three main types of cooperation are part of the discourse found in this emerging industry. Information, use of industry capacity and marketing were areas in which cooperation is the most noticeable.

#### INFORMATION

Many of the managers talked about the free flow of information within the industry. As well as the organized conferences on viticulture and wine-making, there is a continual informal exchange of information between companies.

*We would go to grape growers seminars and we would sit there for 4 or 5 hours looking at graphs of rainfall in California that were totally irrelevant. Then you'd go afterwards and sit in the bar and have a beer and you would learn more than at the seminar. You would learn just talking to the ones who have actually done the job.*

*As a new boy on the block I can say it is an industry that is very helpful, but competitive in the market place.*

*All through the years I've built up contacts with various people in the industry and mostly everybody just helps each other. They are only too happy to advise you.*

#### USE OF INDUSTRY CAPACITY

The production of wine involves a number of processes; planting vines, picking grapes, crushing grapes, vatting the juice, blending and aging the wine, bottling, labelling, packaging and selling. Each of the steps in the process requires specialised expertise and/or equipment. The capital cost of a fully equipped winery is beyond the means of most companies (Gosse 1991). However, the resources within the industry are utilised in a variety of formal and informal cooperative combinations for the benefit of both the small and the large companies (Easton *et al* 1993). Contracting is common for grape growing, wine-making and bottling. Helping friends is also commonplace.

*They are experienced pickers by and large. They go around locally doing the same thing and you try and work in with other vineyards when you are picking.*

*We were growing grapes for a company with a great wine-maker and we asked if he could make some wine for us. We still grow grapes for them and he still makes award winning wine for us.*

*It is not really completely unique, it is a common thing to have wine made at someone else's winery. We might do a little bottling, but we try to avoid it. We only do it for friends in a tight spot.*

#### MARKETING

Marketing is presently the primary concern of producers according to the managers in this study. The continual growth of new labels and the lack of growth in consumption are the main causes of the intense competition within the domestic market (WINZ 1996). As Cooper (1996) notes, the growth of new labels is 'hotting up the competition' on retailers' shelves. But in this area of high competition, there are also regional and national cooperative practises which benefit individual companies. Managers did not indicate that they found decision making a 'dilemma' when marketing either the country or the region was concerned, but it was in discussions of marketing that competition and cooperation were linked most often.

In Canterbury a group of growers has decided that cooperation is the best form of competition. Five companies have formed a joint venture to 'seek joint marketing opportunities' (Christchurch Press 1996). At a broader level, formal cooperation within the marketplace is focused on the wine regions. Individual wineries foster regional reputations by participating in annual wine festivals. Most wine producing regions have also developed 'wine trails' which cooperatively promote the local wineries with restaurants or cellar doors although, direct sales from the winery have long been seen as an important element in maintaining market share.

*Because there are a lot of wineries around here it makes it easier to sell your product. Because a lot of companies are producing good wine. I guess in a sense every company is a competitor but we don't look at it that way.*

Another cooperative venture is the formation of New Zealand Wine Exporters, an industry group which promotes the sale of New Zealand wine overseas. The group has a current membership of 53 which includes wineries from all tiers within the industry. Wine Exporters use the practice of



‘cooperative promotion’ to target export markets as part of a ‘strategic plan for the development of the New Zealand position’ in the global wine market as outlined in the Wine Institute of New Zealand Annual Report (WINZ 1996:7).

*We [New Zealand] are a very small operation in a very big sea, we have to work together.*

*These trade missions get us to look at the market, and say where do we fit within this market, as a country, and then as a company.*

*We’ve discovered that we are better off working together. On your own you are not effective in the US market and you can’t get shelf space, that is why we go as a group.*

*I don’t think that once you go off shore, the competition which exists amongst us, it goes. At that point it has to be cooperation. Domestically though, I’ll tell you what; you’ll get your throat cut so quick.*

The three areas in which the individual firms in this study choose to work for industry development cannot be taken as the industry standard, or even the views of all wineries in all situations. There will always be individuals who decide to ‘go it alone’, the ‘cowboys’ within the industry. Also, as membership in the industry is compulsory (Cooper 1977) some members of the Institute might have no interest in cooperation or even the industry. One participant in this study said ‘*I don’t have anything to do with them*’, for although he has grape vines and a small winery he sees himself primarily as a restaurateur. But what did become clear in most of the interviews, and what is echoed in the media coverage of the industry, is that cooperation is a necessity for the small wineries and the declared strategy for the larger wineries. This industry-centred view supports cooperative practises which will ensure *industry survival*. Industry survival is seen by New Zealand winemakers as the key to the continuation of access to world markets. And as others have found resource constraints can be overcome by ‘cooperation with like organizations’ (Brown & Butler 1995; Swaminathan 1995).

## COMPETITION

As Easton *et al* (1993) have noted, marketers prescribe the domination of markets as a sustainable competitive advantage. Thus, a discourse of competition would be expected in a market economy (Knights & Morgan 1991). In the last 15 years New Zealand has moved from a protected

economy to a market economy, and the effects of this change are obvious in the discourse of manufacturers (LeHeron & Pawson 1996; Kelsey 1995; Gosse 1991). Winemakers are no longer concerned primarily with production and product. Their attention has turned to competition and marketing, as evidenced in the recent Wine Institute Annual Reports.

In this study the discourse of the market was more noticeable from managers with a marketing background, but the grape growers who have become winemakers also highlighted the competitiveness of the market. The discourse of competition was usually employed in relation to one of two areas; grapes and the domestic market.

#### GRAPES

An adequate supply of grapes is a major concern of producers. Winemakers obtain grapes in a variety of ways; grow your own, purchase under contract, or buy on the open market. Stories abound of firms which buy the wine already in the bottle, although no such firm is part of this study. Many of the managers commented that the competition for grapes will continue as the demand for New Zealand wine increases overseas. But again there was not a consensus.

*We have been frustrated in the last few years in not having enough volume. The demand is out there but we can't supply it. There are only so many grapes.*

*We have got to learn to produce grapes cheaper so that we can price a bit keener.*

*There is a lot of planting going on and there are a lot of people who are nervous about what is going to happen. Everyone realises now that there are a lot more grapes than anyone knew there was.*

#### THE DOMESTIC MARKET

Managers from large, medium and small enterprises reiterated that the domestic market had become very competitive. And yet the romance of the industry, and the more pragmatic desire to take control of the destiny of the product, has brought new 'wineries' into the industry in unprecedented numbers (WINZ 1996). The proliferation of labels, the static domestic consumption, and a concentration in the distribution network has put the squeeze on the domestic market (Cooper 1996).

*It was quite easy in the industry. It was easy to sell your wine. You just opened your doors and people came in and said can I have some. It is not like that*

*now. You've got to push and push hard because there are lots of competitors.*

*There are so many companies opening up now, you wonder how they are going to sell their wine.*

*The wine trade at the moment in New Zealand is fairly static, and therefore the only way you are going to increase sales is by market capture.*

*We have gone from an open selling market to a very closed and tight market.*

The two largest players, Montana and Corbans, control about 80% of the domestic market. This domination is facilitated by a number of factors. Both companies are the product of early winemaking families which grew beyond capital capacity of the family and attracted international investment (Cooper 1996). These corporations have no rivals within the New Zealand context in terms of marketing and production capacity. Their size is a competitive advantage which allows them to take advantage of the changes occurring in the distribution system for the industry. In New Zealand wine has traditionally been sold at the cellar door because of restrictive licencing laws (Cooper 1977). However, liberalisation of the economy has been accompanied by liberalisation of the licencing laws which has had the effect of restructuring the domestic distribution system (Enderwick & Akoorie 1995). In 1995 supermarkets sold 50% of the wine in the domestic market, much of it wine produced by the largest companies.

This growing outlet for sales complements the more traditional outlets; the cellar door, winery restaurants, wine festivals, and the trade. But the growth of outlets and labels has not been accompanied by increased consumption. The domestic market is a mature market with little growth expected in the near future (WINZ 1992). Advice from the classical strategic management literature suggests that individual enterprises in a mature market fight for market share to eliminate rivals (Porter 1980). However, if rivals within the New Zealand domestic market are eliminated, then the export potential of New Zealand wine would be placed in jeopardy (industry informants). Apparently the reputation of any wine region is based on the availability of a variety of wines from a variety of wineries. The dilemma confronting producers between self-interest and industry interest, in this instance, appears to have more to do with the fact that the industry is not easily classified as either mature or emerging, but is a combination of both.

But even in the area of domestic markets, not all managers were in agreement. At least one manager in this study voiced his industry-centred view of the domestic market.

*You are competing head on with each other, but still as an industry everyone is trying to do things for the benefit for the whole industry.*

Those producers who understand the nature of the interdependence among industry members, appear to understand the necessity for both cooperation and competition in a developing industry.

### **3. Shift in suppliers and distribution:**

Grapes were brought to New Zealand in the early 19th century by missionaries, government officials and European settlers. Early attempts at wine production (*Lyttelton Times* 1879) were defeated by a preference for the Anglo-Saxon tradition of beer drinking. The industry as it is today can be traced to a new wave of immigrants around the turn of the century who planted vines in Northland and Auckland. During the first half of the century the industry grew despite tight government controls, prohibition, and the Great Depression (Cooper 1977).

The control of the production and sale of liquor has always been regulated by the government. Government have an interest as they collect taxation on alcohol sold in the country and liquor being imported into the country. The government was also central to the creation of viticulture research in postwar New Zealand (it is only recently that the government has sold the research stations as part of their restructuring agenda which is discussed in chapter 4). The fluctuating relationship between the industry and the numerous government departments was formalized with the inception of the Wine Institute of New Zealand in 1976 (Gosse 1991; Cooper 1977).

The industry had been chosen as one of those which deserved government support in its effort to develop an export-led economy. Government support has involved a series of legislative changes within a number of major departments. This assistance has moved the industry through a major re-structuring as well as the change of the social nature of wine consumption within New Zealand (WIDP 1980). Where once beer was the 'alcohol of choice' it has now been supplanted by wine as the 'alcohol of choice' of the majority of New Zealanders (Cooper 1996).

As wine has become available on supermarket shelves, in restaurants, and wine bars the larger wine companies and the supermarket chains are gaining control of distribution and suppliers (Cooper 1996). Porter (1980) suggests that suppliers and distributors become prepared to respond to the emerging industry's special needs. This tale seems to outline a journey of adaptation concerning both suppliers and distribution.

*We had a mixed farm and realised that 5 acres of grapes gave us the same income as all the sheep and cows. We changed to growing grapes. We actually*

*went into partnership with a large winery to purchase a 100 acre section. We planted it as a model vineyard. They won their first gold medal with the wine from those vines.*

*The people in the region couldn't understand why we wanted to plant vines. We were considered odd. But now lots of people who were most unctuous in their opposition are grape growers themselves. From those first 5 acres in the region, there are now 300-400 acres.*

*I have a single buyer and I produce my own label. They make the wine for me. We have a 80/20 split. I sell them 250 tonnes and I get 4000 cases, but with the increased plantings I am looking to produce 400 tonnes in 2 years, so I am hoping that our agreement will carry through. Then I will be able to export more than just a few cases.*

*There is a distribution centre which also buys my wine a year in advance. They tell me a year ahead what they want and I direct my wine maker to do that. I make 4000 cases of commercial wine and it sells. This adds value to the vineyard, primarily I'm a grower.*

*Because I have the agreement with the direct marketer, I don't have to worry about the supermarkets. We have gone from an open selling market to a very closed selling market. The liquor stores have rationalized and the supermarkets order on volume and expect the wineries to provide instore service. Only the big boys can play that game.*

This firm seems to have been able to adapt to the changing needs of an emerging industry on a number of occasions. However, this story is only one view of adaptation concerning new suppliers and distributors. Many of the managers I spoke with are presently concerned with the lack of access to local markets which are becoming controlled by 'overseas computers' rather than local people such as sales reps or marketing managers.

#### **4. Shifting mobility barriers:**

The wine industry also appears to be moving towards a greater level of vertical integration of grape growing and wine production. During the early 1980s there was a clear distinction between growers and producers (Enderwick & Akoorie 1996). Most of the vines planted were for contract

grape sales to the larger companies. But as the industry continues to expand, there is a trend towards vertical integration among both the growers and the producers. It is an easier process for the growers than the producers.

Many growers now produce their own labels in a desire to gain control of the product. They hire contract wine-makers and winery facilities in an attempt to maximize their profits in a tight market. 'Now, many of those growers are developing their own wine labels, depriving the established companies of some of their best grapes' (Cooper 1996:196).

A second reason for growers becoming producers is the high cost of land. The investment in the land, plus the three year wait for first fruit, means that few growers can afford to expand their acreage. Thus the only way in which a company can 'grow' is by moving into wine production.

The producers have other reasons for desiring vertical integration (Harrigan 1986). As in Australia, the continued undersupply of grapes is out of step with expanding export markets. This keeps exporters in a weak position (Forbes & Spawton 1995). As the export market continues to grow and the demand for grapes remains high, growers are becoming less willing to set the price for the grapes before vintage. Another reason for producers to grow their own grapes is to ensure that they have supplies of varieties which will enable them to implement future strategies. As the market for New World varieties grows, individual vineyards require an assured source of supply to fill market demand (Swaminathan 1995). A third, but important reason, is the high capital cost of entry into the industry as noted above. The need to protect a long term investment by ensuring the availability of grapes is a prime consideration for many producers (Enderwick & Akoorie 1996; Forbes & Spawton 1995).

This tale of change is indicative of many growers becoming producers as well.

*Corbans had come into the district taking up contract growing, so we got caught up in the 'grape hype' I suppose. We got interested in it and started growing grapes. We were growing under contract for Corbans for quite a few years. We didn't have much of a strategy.*

*When the Great Pull in the late eighties came [government supported change from bulk-wine grapes to varietal grapes], we pulled out about 1/3 of our vines. The Corbans growers seemed to pull out a lot more than the other growers. It was devastating for the growers. We'd planted every grape ourselves. We'd*



*planted every vine and trained every one and to pull them... We pulled 30 acres in one year. Even though there was some compensation, it was nowhere near the cost. You lost three years income and a whole lot more.*

*[It was] time to look for a strategy. It gave us a chance to plant a better variety, a lower yielding variety. And it reduced the volume of lower quality wine, although the high volume wineries are now having to import.*

*Growing any crop you have the good years and the bad years but you can cushion it. We needed a strategy, so we started to make our own wine to cushion the growing. Our strategy is to continue to add new varieties for our own use and to keep growing for contract, a diversification. We have the land, it is getting very expensive with more people coming into the industry.*

*The opportunity came to get hold of one of the best winemakers in the country. We were growing grapes for his company, we still do. We asked him to make some contract wine for us and he still does. And we keep winning awards, so the arrangement has been good for both of us.*

*We wanted to have some security so we started making our own wine. We wanted to be more flexible, we didn't want to keep all our eggs in one basket. Many of the growers in this area, and it is known all over the world as a wine area, have started to make their own wine. But the big companies are also buying their own land and growing their own grapes.*

The early New Zealand winemakers grew their own grapes (Cooper 1996). When the industry began its first big expansion phase grape growers and winemakers remained as two separate parts of the industry. However, during the 1990s expansion vertical integration seems to be the commonest method of attaining productivity gains as the lines of demarcation between grower and producer shift.

#### **EMERGING INDUSTRIES IN SMALL SOCIETIES**

I have presented tales from managers in a emerging industry illustrating four of the strategies suggested by Porter (1980). The classic strategic management view that cooperation should be avoided has been questioned by Porter (1980) in the specific case of an emerging industry. He suggests that a 'dilemma' occurs when questions of individual company self-interest conflict with

industry development. However, the dilemma to which Porter refers may only be a dilemma for those companies which are large enough to have head offices with functional specialists who focus on marketing as Easton *et al* (1993) claim. Small to medium size companies appear to comply more readily with the social systems view in which industry relationships are a combination of competitive and cooperative actions (Kenworthy 1995; Easton *et al*, 1993; Van de Ven & Garud, 1987).

A number of scholars are attempting to expand the one-sided view that industries are only competitive. Burt (1992) in an interesting addition to the idea of a social system, proposes a theory of 'structural holes' in which competitive advantage is gained through taking advantage of social relationships within an industry. His discussion of network theory actually implies that cooperative behaviour is more profitable than competitive behaviour which is favoured by other economists. Dollinger (1990) argues that there is a growth of cooperative behaviours within fragmented industries which follows a pattern. Firms which cooperate appear to be grouped in regular sets; two, four, eight, sixteen, etc. Because of the willingness of firms to cooperate, he wonders if this progression is the beginning of the emergence of the 'collective strategy paradigm'? Grieco & Lilja (1996) have an interesting view on competition and cooperation. They suggest that opponents 'share terrain' and for these to be able to engage in 'combat' there needs to be a corresponding 'practice of cooperation'. This idea might explain some of the seemingly contradictory messages of the managers concerning competition\ cooperation found in my study. Nielsen (1988) argues convincingly for a cooperative model based on the three key elements, much the same as Porter (1980), strategy, life-cycle and value-added. He claims that cooperative strategies increase efficiency in many cases and thus might be generalizable. I am not making any claim to generalizability, only that within this study I have perceived that cooperation\competition relationships are more complex than the strategic management literature acknowledges.

I have shown that the experiences of managers within the wine industry indicate that they can be located within Porter's suggested strategies for an emerging industry. However, these stories give a one-sided view of the situation. Although the export side of the industry is obviously 'emerging' (68% of the sample for this study export and all produce wine for the domestic market), the domestic market is static or declining in terms of volume. Many of the winemakers suggested that high-value, high-quality wine was the only possible product for the domestic market, with the exception of the large manufacturers who actually import cheap bulk- wine for domestic consumption. But, few of the wineries had more than 20% of their production going off shore. This leaves them vulnerable both at home and abroad. A downturn in the domestic economy, or the effects of foreign exchange fluctuations are added to the barriers to trade such as tariffs, local

distribution practices, and differing local drinking customs which are all risks to any continued growth. However, the evolutionary view (Barnett & Hansen 1996) of cooperation thwarting competition appears not to be the case, at least with the majority of the managers in this study of the New Zealand wine industry.

### Endnotes

The irony of writing about emerging industries within an emerging inquiry process (Marshall 1997) is as silly as having a research strategy (Morgan 1983) in a thesis about strategy.

The strategy of course does not say anything about my own process of attempting to understand competition and cooperation as these concepts are required to help me structure the thesis. That my intention is to *consciously and reflectively* use discourse to generate an alternative *method* of reporting strategic management research is evident in this chapter. The emergent notion of the process of writing this thesis is predicated upon competition\cooperation for space for ideas about competition\cooperation.

The rhetoric and discourse of competition (Backhouse 1993; Brown 1993; McCloskey 1985) within the strategic management literature appears to have become the discourse of some managers within the wine industry. Michael E Porter is obviously a disseminator of that discourse, as I am, as are the managers! What is important, from my perspective as a *bricoleur*, is to indicate that we may be using the same words, but that they may have vary *different* functions and meanings.

Even though my method of re-presentation is using a postmodern style, the basic discourse of competition is the only possible way of presenting the research and the managerial tales; the embeddedness of language joins our disparate practices. It would be nice to have a clear view of what place 'competition' has within this document, but it has not yet emerged. What is clear at present is that competition\cooperation has multiple meanings not just for the managers, but also within the literature.

After I had written an earlier version of the competition and cooperation segment for a conference paper (Harfield 1997), I found that Wilson & Benson-Rea (1997) had published a case-study on a New Zealand winery. Cooper's Creek Winery is one the Auckland based middle-tier. Their study supports my findings that there is a high degree of cooperation along with competition within the industry. And if that wasn't enough, while I was writing up the final drafts of this thesis I also received a copy of a Masters thesis based on survey and interview data collected in 1992.

Davies (1996) claims that the culture of the industry is one of 'cooperative competition'. However, neither Davies nor Benson-Rea & Wilson went as far as suggesting that industry *survival* is dependent upon cooperation\competition practices.

As the stories of cooperation\competition were told the effects of the changing economy were always in the foreground. Most of the managers I spoke with were not leaders of change, but all were dealing with change. Their stories of flexibility echoed those of the footwear manufacturers. This flexibility was evident in their use of all the generic strategies in a variety of combinations. This 'strategic adaptation' was then more fully discussed with the printers (see chapter 7).

*Auckland 12:30pm August 1989*

*I am sitting in the large lecture theatre listening to the guest lecturer as part of the New Zealand politics paper. Brian Easton is talking about the economic changes which have happened in the last ten years. He says that the new right economic policies were brought to New Zealand by accident, sort of like a virus.*

*He tells the story of applications for a job and the need to differentiate, apparently all economists look alike on paper. One chap wrote that he would advise policies in line with theories of the new right coming out of the Chicago School of Economics. The chap was hired and had to go off and find out what the theories of the Chicago School were!! And from small accidents do nations change!*

*Christchurch 11:00am September 1995*

*My second PhD seminar is today and I still have the flu. I can't think straight, cancel or present my queries concerning the industry model? It is so easy to make models but the models never seem to work. Are we looking for fit or congruence or just something to make boundaries - to contain rather than constrain?*

*Making boundaries is not my strong point. I am good at crossing them, ignoring them, pushing them, but making them seems so hard. And I've got the flu!*

*Christchurch 12:30am September 1997*

*De-regulation, reform, liberalisation? I can't seem to get the right 'tone' too many voices speaking, too much has happened. I can't force this much history into 6 pages. A whole country has been set on its head and I tell the story in six pages?*

*One of the reasons that it is so frustrating is that every time I attempt to verify information, more than one version of the story appears. What are the facts what is the fiction??. Juggling is definitely easier with objects and three dimensions. Juggling all these ideas and all these voices is very tiring.*

*Ah to be Handel!*

*I will be Handel and let the voices speak. But it may not be four part harmony!*

*The New Zealand Experiment* (Kelsey 1995) evaluates the social, political, legislative and economic changes which have taken place in New Zealand since 1984. The process of comprehensive, if not systematic, deregulation has moved the responsibility for economic planning from central government into the private sector.

The strategy of exposing 'fortress New Zealand' to the global competitive market-place centred on three elements: eliminating industry assistance; withdrawing border protection from domestic producers and financial institutions; and shifting the regulation of capital, goods and labour from the state to the market (Kelsey 1995:86).

The book discusses government initiatives which have shifted the country from a 'welfare state' into a 'free market economy' (*The Economist* 1996).

### CHANGING BOUNDARIES

Something happened, it is agreed that something happened, but the interpretation of what happened depends on your point of view (Morgan 1983). This section is a good example of the importance of discourse, as mentioned in chapter 2. Six commonly used metaphors concerning the 'changes' form frames within which a brief history of the period can be located. The 'locations' of the authors are observable in their discourses. The political/economic perspectives are discernable from neo-liberal to socialist, and although much of the rhetoric surrounding the changes concerned 'removing privilege', it is clear that 'privilege' has only been shifted, not removed (Douglas 1993). The 'speakers' of these texts are politicians, economic policy advisors, business or academic commentators (I name names in Appendix K).

The metaphors the writers use fall into two discrete categories evaluative and processual. The evaluative metaphors, transformation, reform, and revolution are often used by politicians and their critics. The processual metaphors form the discourse of the economists and their supporters and their critics; restructuring, deregulation, reregulation and liberalization (spelling appears to vary, is this also part of specific discourses?).

#### transformation

Our objective is the transformation of New Zealand from a declining, debt-burdened, small industrialised country into a dynamic, enterprising and prosperous nation. (JB)

New Zealand's regions and urban centres are undergoing transformation in the new institutional environment. (L&P)

When State trading departments were being transformed into commercial corporations in New Zealand in 1987, it became obvious that there would be large-scale redundancies in the coal and forestry areas. (RD)

### **reform**

Major reform demands a change in the ideas and attitudes that most people grew up with. (RD)

While the policy reform process is by no means complete, enough has been done to clear the decks for business people with ideas and drive. But we have to stop being shy about what capitalism is all about - namely profits and the satisfaction that comes from involvement in building and managing enterprises. (NZBRT)

As the program of reform progressed, New Zealand exports remained fairly strong until 1990, when the terms of trade and overseas market conditions again deteriorated. (JK)

Finally, it must be noted that despite this reasonably integrated economic framework, much of the impetus for reform resulted from pragmatic reasons, such as the failure of earlier policies. (AB)

### **revolution**

More to the practical point, it was *not* the trend over the revolutionary period that government in fact got smaller, spent less, or was less intrusive in private lives--though it is probably true that it did ameliorate the balance of payments problem which was often cited as the basic reason for the changes. (AS)

In the revolution in instruments of policy since 1984 the switch from a strong government preference for regulated markets to an equally strong distaste for regulated markets has been dramatic. Free markets with minimal economic regulation are the chosen instruments of policy in the private goods sector of the economy and in most services. (CB)

### **re-structuring**

It [the government] wanted to encourage the best use of New Zealand's resources in relation to world markets. I wanted to encourage what became known as 'restructuring', a reorientation of New Zealand firms and enterprises towards being international businesses rather than providers to a protected domestic market. (RD)



In the late 1980s, the restructuring of the state-sector administration and production activities was prominent. (L&P)

Perhaps the clearest lesson is the cost of restructuring without previous or at least simultaneous stabilization in the government sector. (AB)

By 1991 most of the firms surveyed considered that they had reached the end of their restructuring, the survivors are more efficient and competitive, but they also bear the scars of the process. (AB)

### **de-regulation**

One of the Labour government's first moves was the comprehensive deregulation of the financial sector, 'taking it, in short order, from among the most regulated of the OECD countries to probably the least regulated. Foreign investment was considered the key to New Zealand's economic growth'. (JK)

In particular, measures to improve the microeconomic structure of the economy through deregulation of financial, goods, and more recently the labour markets are now beginning to yield dividends in the form of lower cost structures and improved productivity. (NZBRT)

In 1989 deregulation spread to the media. ... Removal of restrictions on overseas ownership and media cross-ownership quickly followed. (JK)

Deregulation was carried out in the name of efficiency and consumer sovereignty. ... The real beneficiaries of deregulation were abundantly clear; finance capital and trans-national enterprises now had the New Zealand economy firmly within their grasp. (JK)

### **re-regulation**

This is one reason why the Government decreased entry barriers: to increase the threat of entry from abroad and thus regulate New Zealand business better. (AB)

New Zealand's external links of trade, finance and production, brought about by reregulation of the economy, have further opened the country to global developments and extended the two-way traffic of economic interactions between New Zealand and other places. (L&P)

### **liberalisation**

Liberalisation involves increasing the use of the competitive market as a means of regulating the economy, perhaps because it is judged the most

effective means of dealing with a particular problem. (BE)

Treasury dismissed claims that unilateral trade liberalisation would place New Zealand producers at an international disadvantage if other countries continued to protect their markets. (JK)

Yet it is clear that economic liberalization in New Zealand has been far from neutral in its distributional effects. Consequently there are widely varying views in New Zealand today about the success or failure of the economic reform program. (AB)

### **Liberalisation**

As part of the New Zealand 'change project', the New Zealand Industries Development Commission (IDC) was entrusted with the task of advising the government on instituting a policy of trade liberalisation in a number of key industries. During the late 1970s and early 1980s, the Commission, under the chairmanship of AE Tarrant, held hearings with industry members to obtain information which they subsequently evaluated within the frame of reference of the new policy of liberalisation. Based on a narrow reference criterion, 'efficiency' gained through 'competition', the Commission was to assess the potential for the successful implementation of export strategies in specific industries.

The IDC by contrast defined "develop" in the sense of "changing and evolving towards a greater level of efficiency in response to the environment in which it operates. There is not necessarily a connection between development of an industry and growth in its total overall volume of production. (FIDRP 1986:7)

Thus, 'winners and losers' (Holms 1976) were designated depending on the recommendations contained in the Industry Development Plans (IDP), even though, as Bollard (1987) argues, economists do not agree amongst themselves as to the definition of 'efficiency' and the factors which ensure 'it'. None-the-less 17 IDPs were in operation by 1986 (Birks & Chatterjee 1997). This re-routing of the country was part of the wider questioning of state regulation and private enterprise then occurring in much of the industrialized West (Shaffer 1995; Haworth 1994; Putterman & Rueschemeyer 1992; Francis 1992; Hawke 1992; Utton 1987)

Interim-reports were also produced to assess the progress of the Plans that had not been fully accepted by government, such as that prepared for the wine industry. The 1986 inter-departmental report for the wine industry focused on the progress of the massive legislative changes involving at least nine government departments. Legislation covering food

preparation, liquor licencing, retail trading hours, and agricultural and horticultural land use had to be enacted to accommodate the 22 recommendations in the report. Just one example involves the Department of Justice. In order to change a number of statutes the Law Reform Division developed the 1985 Discussion Paper. It began:

Our liquor laws are a mess. They are extensive and numerous; they are highly complex; they are often obscure; they abound in anomalies. ... Like all restrictive licensing systems, they create economic distortions. (1985:7)

The paper contains general and specific reform suggestions, including who can drink, where they can drink, what they can drink, and when liquor can be sold. All these questions were particularly pertinent if a wine industry was expected to grow.

The economic ‘reformers’ believed that manufacturers would become more ‘efficient’ if they had to respond to domestic price signals (Williams 1989). These signals would be shaped by exposure to international economic volatility with little border protection, an open entry policy, competition law reform, and the movement of government out of the regulatory function (Bollard 1992). Thus, the basis of the recommendations in all the IDPs was a two stage reduction in ‘assistance’; the removal of import tariffs and the withdrawal of import licences (licences held by manufacturers which gave them control of the imports into the country). Implementation of these recommendations began with the phasing out of import licences. However, the policy of incremental reduction of tariffs was abandoned for swiftly implemented radical measures. Assistance to manufacturers was reduced from 37% in 1985, to 20% in 1990, then 10% in 1996 (Kelsey 1995). The consequent disruption was compounded by a parallel stream of reductions which occurred even more rapidly. For example, by 1992 the gumboot and childrens shoe tariffs had been completely eliminated. (These figures are for the ‘uniform’ tariff, there are still a great many exceptions).

### **A fragment of the New Zealand journey:**

The areas of deregulation which most affected manufacturing were the financial, transportation, and retail sectors. Border controls on the importation and exportation of capital were lifted as direct foreign investment was considered the key to economic growth (Kelsey 1995; Duncan *et al* 1992). Changes which reduced the control on the structures of financial institutions and encouraged competition within New Zealand proved to be the most extensive reforms carried out by any nation within the OECD (Haworth 1994; Harper & Karacaoglu 1987; Hawke 1992). As the new ethos of globalization was being imported through the entry of foreign owned financial services, business decisions based on ‘local

knowledge' were being replaced by business decisions based on 'efficiency and competition'. As one footwear manufacturer noted, the industry lost many of its leaders because, *the knowledge that they had was useless overnight*.

Transportation reform also affected the manufacturing sector. Because the government had been the owner of the railways, competition from road transport had been curtailed by a series of restrictive regulations on road transportation. The limitation of 150 miles per trip on road haulage operators was imposed to encourage the use of the rail system. In 1983 the limitations were scrapped and manufacturing became viable in locations quite distant from the major centres (Guria 1987). Costs outside of the major centres were lower and this competitive advantage was an important consideration for many manufacturers in this study. The wine industry knew that the 'bad soil' needed to grow good grapes was available, but transportation was not. The de-regulation of the transportation sector allowed more wineries to be established in 'out of the way places' such as the Wairarapa and Tolaga Bay. I also found that a number of small footwear companies were located in rural areas which helped to overcome the continued financial pressure as cheap imports flooded the country.

Finally, the changes to the regulation of the retail sector were a major part of the move to a 'consumer society' (LeHeron & Pawson 1996; Kelsey 1995). The policy of free-trade is based on the view that exporting industries offset the importation of a wider range of manufactured goods. However, more goods need more consumers (LeHeron & Pawson 1996; Duncan *et al* 1992). A principal obstacle to consuming exists in the form of restricted trading hours. Government legislation regulating many aspects of retail trading has been in place in New Zealand since the first European settlements. Much of the legislation restricting hours of trade has been promoted in the guise of concern for working conditions. However, the 'freeing' of the labour market with the introduction of the Employment Contracts Act 1991 has been accompanied with the abandonment of restrictive trading legislation (Birks & Chatterjee 1997; Easton 1997; Haworth 1994; Hawke 1992). By 1995 shopping malls in the major centres and the resort towns were open seven days a week, and some supermarkets were staying open until midnight.

In a 'market economy' it is 'increasingly the consumer' who is viewed as holding 'the balance of power in determining what is produced', therefore time and place had to be made available in which to 'consume' (Kelsey 1995). At the same time massive overseas investment in shopping malls has meant the demise of small high street independent retailers (Enderwick & Akoorie 1995). This concentration of ownership within the retail sector is also

evident in the distribution systems. Although the 'consumer' has more 'choice', the many small manufacturers have less choice. For example, foreign-owned supermarket chains with computerised inventory systems decide which wines they will stock based on high turnover. As the volume of most New Zealand wines sold is low, the great variety of wines available are not finding their way onto the supermarket shelves.

### **The rhetoric of 'the market':**

Successive governments, accepting the advice of an ideologically driven Treasury, have continued to reorientate the country towards a 'consumer society' with a 'world class' market economy (Kelsey 1995). The economic change in direction for New Zealand is noted in the changing discourse first used by government officials, followed by business commentators, and now by managers, employees, and customers (GSBGM 1991; Blyth 1987).

The Industries Development Commission set the 'tone' for the economic changes in the manufacturing sector. Their discourse of 'competition', 'efficiency', 'the market', and 'consumer demand' heralded a new era of 'market forces' which replaced the production focused discourse of the protected manufacturing environment of the post-war period (Bollard 1989). After an initial resistance, the discourse of the market was slowly accepted by industry. However, the early reports in *Manufacturer* (the manufacturers' newspaper) actually denounce the 'reforms'. On April 1981 an article reporting on the IDP for plastics stated

Annex A of the draft spelt out a free market philosophy that was considered by federation to be too doctrinaire and in some respects inappropriate for New Zealand... The report does not seem to recognise that the New Zealand economy is far removed from a free market economy. (*Manufacturer* 1981:8)

The 'reformers' advocating a 'level playing field' had a long way to go to convince manufacturers of the benefits of 'competitiveness' and 'efficiencies' in a 'free-market economy' (NZBRT 1992).

Change over time, or the acceptance of change has been noted in many areas within the New Zealand context (LeHeron & Pawson 1996; Collinge 1989; James 1986) although Campbell-Hunt *et al* (1993) wondered if the New Zealand managers are ever going to change. (Corsi *et al* 1991 wonder about managers' willingness to 'experiment' within a deregulating sector) But whether or not new attitudes and practices were in place (Malim 1994), the support of a

new discourse is evident. Whereas in the early 1980s the manufacturers were questioning the ideology of the IDC, by 1995 the Employers Federation had changed its tune. They sponsored the publication of a book which set out the direction of New Zealand business which endorses the earlier direction set by the IDC. *New Zealand's Future in the Global Environment? A Case Study of a Nation in Transition* clearly advocates a free-market economic policy.

### **Michael Porter in New Zealand**

The document which gave support to the IDPs was *New Zealand at the Turning Point: Report of the Task Force on Social and Economic Planning*. The chairman of the government appointed Taskforce, Frank Holmes, tabled a Report which advised

In general, however, we believe that the right path for future development strategy is to put less emphasis on ad hoc, discriminatory intervention and more on allowing market forces to determine the most appropriate allocation of resources. (Holmes 1976:276)

Implementation of this advice however, seems to have been more radical, leading Tarrant to defend the IDC against accusations by the Manufacturers Federation of a free-trade policy.

Nowhere in the five industry study plans so far produced by the commission will be found a recommendation which supports the criticism that our approach reflects a reversion to laissez-faire capitalism or seeks free-trade... What the commission does believe is that our economic performance will improve if the maximum number of day-to-day decisions on investment, production, marketing and pricing are made in the market place by those directly involved. (*Manufacturer* 6 April 1981:9)

But government actions over the next decade seem to belie this defence. The legislative changes for an open border, support of GATT and continued support for free-trade on the international stage would more easily be interpreted as a free-trade agenda.

One advocate of a global free-trade economy is Michael E Porter (1990). He could be considered the 'mouth piece' for a group of individualist free-traders located on the eastern seaboard of the US (Schwartz 1994). It was probably his advocacy of this policy which led to his being invited to 'audit' New Zealand.

The government invited Porter to audit New Zealand using his model of 'national competitiveness'. The audit of the country was based on a model developed by Porter and a

host of international researchers during the late 1980s. The research results and theory of 'competitive strategy' are published in *Competitive Advantage of Nations*. The book is an expansion of the ideas of Ricardo (1817), that the wealth of a nation can be located in its comparative advantage. For Ricardo the uniqueness of the nation lay in its natural resources; Canada and Australia have uranium, China has cheap labour and New Zealand is a green and verdant land. The comparative advantage of New Zealand is obvious; in 1996 primary products continued to earn over 60% of GDP.

However, for Porter the wealth of nations is located in the *competitive advantage* of individual firms and industries, something which is also unique to nations. He has located the analysis of competitive advantage for nations in a framework which he calls a 'diamond'. This model is an addition to his earlier models of generic strategies for firms (Chapter 7) and the industry five-forces (Chapter 3). The diamond framework focuses on four aggregated areas; factor conditions, demand conditions, related and supporting industries, firm strategy, structure and rivalry.

He writes that domestic rivalry is *the* necessary ingredient for an industry to be a world competitor. (This view is questioned by a number of economists who argue that in some instances rivalry is counter productive (Kenworthy 1995; Burke *et al* 1988; Telser 1987). Porter argues that rivalry increases the possibility of innovation, a critical mass of firms also attracts a periphery of suppliers to maintain the industry, and industries which are major players in the export of their specific product or service are thus major creators of national wealth. This view of national wealth is predicated upon the notion that 'the market' is a global market, not just a domestic or regional market. It is obviously better to be a small fish in a large ocean than a large fish in a small ocean, competitively speaking.

The results of the New Zealand 'audit' were published in *Upgrading New Zealand's Competitive Advantage*. The report did not favour the 'Kiwi' way of doing business, and implored New Zealand business to become more competitive and join the global economy. I assume that what he meant, for it is not clear from the case studies included in the book, is that the New Zealand view that 'government' should be a business partner was 'bad' and that 'entrepreneurial firms' were the best wealth creation units. The 'theory' he propounds is somewhat confusing because he then prescribes that 'industries' are necessary for the creation of wealth. It seems his view of the differences between 'the individual hero' and the 'group effort' are conceptually suspect. I say this because of the primacy of 'success' as an outcome. The outcomes of success *implies* a single unit, but the *process* of competition



always involves a collective unit (Grieco & Lilja 1996; Nielsen 1988). Who or what succeeds; the CEO, the firm, the industry, the cluster or the nation?

It might be considered ironic by some that one example of a New Zealand wealth creating industry is an amateur organization! In 1991 when the Porter Report was written rugby and the All Blacks were considered to have a high score on all points of the diamond. Thus the 'rugby industry' contained the unique features needed to create an internationally competitive industry! Rugby (in its un-branded, pre-professional, non-superhero days) with its strong collective culture (Vincent & Harfield 1997) scored high on all corners of the Porter diamond.

### **Competition: the dominant metaphor:**

Competition has become a 'dominant metaphor' in the managerial vocabulary. Although I did not ask for definitions from the managers I spoke with, 'competition' is the cornerstone of the strategic management discourse and thus lends itself to a closer inspection.

Competition has a specific meaning in terms of assumptions underlying economic formulae and thus for policy based on those formulae. The idea that 'perfect competition' is a 'state of equilibrium' is a basic assumption of economic theory (allowing for internal 'debates' eg. Birks & Chatterjee 1997; Bollard 1992; Moir & Dawson 1990; Barney 1986; Andrews 1966). However, it appears that 'competition' has passed from the specialist discourse of the economists (Brown 1993; McCloskey 1985) to the everyday discourse of business. Some might argue that it has become the 'dominant metaphor' within New Zealand (Easton 1997).

As I am not an economist, my meaning of 'competition' is an inferred definition of observable behaviour. This connotation is embedded in a view of contests between or among people such as a rugby game or a spelling bee. For me competitions usually have defined boundaries and there is a start and a finish. There are also accepted rules for the contest. Competition in this sense is a way of evaluating skill, as in card games or dances or throwing darts. This view seems to be the one for which Vickers (1994) has an affinity, competition which is related to behaviour rather than as an analytical concept.

I can also observe 'competition' when I visit the local shopping mall. It has all the expected franchise stores clustered together so that I can compare prices and brands and service (*NZ Business* 1997). But from that consumer's point of view this is not competition, this is choice. However, from the stories which the manufacturers told, they would identify price,

brand and service as locations of competition. For them competition must also mean a pressure to conform or outperform, to lead or to follow, behaviour which is attached to a specific metaphor.

Competition as a contest with rules, competition as performance; what have these behaviours to do with the analytical concept of 'competition' (Barney 1986) which is fundamental to economic writing? What relationship is there between the needs of business and the theories of government policy advisors? Do the advisors to government and industry (Easton 1997) have a common meaning for 'competition'?

It appears not. 'Competition' derived from economic theory appears to have two meanings within the New Zealand context (at least for the discussion in this thesis). One view is that competition is good for innovation, good for growth, good for the development of the economy. This particular use of the term competition appears to be a synonym for rivalry, a contest. Competing is 'playing the game' (Burke *et al* 1988). The players know the rules and play the game fairly, 'behave honestly' (Hayek in Burke *et al*:202). Playing the game leads to progress, development and growth (Van de Ven 1992). This is the meaning of competition which is apparently used in the Industry Development Plans, the Tradenz literature (*Competing in the New Millennium*), as well as the Manufacturing Advisory Group annual *Strategic Plan*. The discourse of competition as development is a collective view of businesses and industry and national prosperity which

... underscores the importance of maintaining an open economy and an outward-looking *development* strategy, flexible and competitive factor and product markets, and macroeconomic policy stability (Horn 1995:7, emphasis added)

Murray Horn, Secretary to the Treasury in this speech to the Manufacturers' Federation spoke of competition as development.

The second meaning of competition within the economists lexicon is 'contestability' which implies a 'winner take all' view of business. This view is based on the belief that the 'threat' of entry into a market is supposed to be sufficient 'competition' to 'bring about a reduction in prices' which will benefit consumers.

Contestability theory has been particularly important in the analysis of regulation. It makes the point that what is important is not the level of competition in a market but the degree of contestability: for example, markets with only one operator may still be effectively regulated by the threat of other potential entrants without overt government intervention. (Bollard 1987:35)

This view is the basis of macroeconomic models which support business practices such as takeovers, acquisitions, and mergers. An example of this behaviour is the Blue Star (a US owned multi-national) buy-up of the printing, publishing, office supplies, retail books stores in New Zealand. Competition in these circumstances is intended not just to gain market share, but to *become* 'the market'. The Commerce Commission, the government appointed 'watch-dog' for the consumer, is the designated body with the power to prevent companies from gaining 'excessive market share'. But in practice their rulings imply that they are more comfortable with the 'winner take all' view of competition (Britton *et al* 1992; Bollard 1989). The Blue Star owned bookstores have developed different companies for different market segments to give the appearance of competition to the customer, and government? The Commission's view seems to have 'trickled down' into the smaller reaches of business. The latest edition of *NZ Business* (a local magazine which is billed as 'essential reading for business success') notes in an editorial

The formula for company success in the current tight economy runs to a pattern. Take a small market segment and be the best at all levels - from customer service to product innovation and cost effectiveness - and *dominate* that segment (*NZ Business* August 1997:3, emphasis added).

Is Social Darwinism (Henderson 1989) alive and well and thriving in New Zealand? This view definitely supports the ideal of a global market in which a New Zealand 'industry' is just another player.

It is quite clear from this short discussion that competition itself is the location of 'competitive' behaviour. What market forces are at work in this instance? Brian Easton, who was a Treasury economist during the 1980s, suggests that the present economists in the New Zealand Treasury who advise government on economic and social policy are overly influenced by a narrow band of economics which came out of the Chicago school. Their view supports little government, individualism, and competition as defined by contestability theory. He suggests that the theories which emanated from this school were applied in the New Zealand context, never having been tried elsewhere (Easton 1997). This narrowness appears to have given New Zealand the most open economy in the industrialised world by 1990. But as various scholars have noted, the most open does not mean the most prosperous or the most socially responsible (Birks & Chatterjee 1997; LeHeron & Pawson 1996; Kenworthy 1995; Kelsey 1995).

If 'competition' is the root metaphor for New Zealand businesses in the 1990s, then the 'contestability' of the meaning supports the view that 'meanings' are variable and that 'competition' could be part of a larger strategic management myth. More of this in chapter 6.

### **Tensions that bind while pausing for reflection:**

The next section I wrote in early 1995 and have updated a number of times but ... Again I am not all that satisfied with the order of the things but ...

When I began the project it seemed to me that the definition of 'industry' had important methodological implications. I needed industries which could be compared on a number of dimensions if the results of the best performers and the worst performers were to have any meaning. However, as the project has shifted focus, the need for a clearly defined level of analysis has disappeared. A description of industries might surface similarities and differences, but these dimensions need not be defined before the research starts.

However, the process of finding the industries has been an integral part of the research. The more positivistic frame of the industry 'search' has affected the overall project in a variety of ways. The most obvious affect was my movement from the view that 'industries are realities' to the acceptance of the 'fragmented identity' of industries. Just another arbitrary category. The arbitrariness of 'industry' is then constantly being compared to the 'evolutionary model'. But you will note that I also 'act as if' industry and model are 'solid' and unmoving when I write about the research. Is there any other way? The Smircich & Stubbart (1985) article is a good description of the 'reification' problems.

The next section is the beginning of the construction of my 'frame'. It is stronger, firmer, and has harder edges and boundaries. At the beginning of this research project it was easier to 'build a model'; it was only when I got into the field that I needed the ability to adapt. A sustainable research strategy must be adaptable.

Now how to make the transition? Ah yes,

### **To begin at the beginning...**

The next section is a tale of my intellectual journey through definitions, concepts, ideals and choices. The search for a research framework is often a bumpy road (Brown 1994; Phillips 1991). It is easier to 'make-up' a framework than it is to 'stuff reality into it'.

I had to start somewhere, so I started by questioning the traditional categories of analysis used within the strategic management literature. As my first view of 'industry life-cycle' was located in *Competitive Strategy*, I decided to start there. I wanted to make sense of the concepts by tracing their history and then attempting to use those ideas in constructing a model for this study.

### **Historical background of the life-cycle model:**

Life-cycle theory in management literature has its roots in economics. Alfred Marshall, in the late 19th century, used an analogy between 'trees in the forest' and 'business'. Marshall (1962) appears to have been much influenced by the then popular doctrine of Social Darwinism, as

many of the ideas in *The Principles of Economics* fail to distinguish between human interaction and economic activities. One example of this conflation is ‘...balancing of forces in the life and decay of a people, or of a method of industry or trading’. The principles enumerated by Marshall were clearly derived from an ‘organic’ rather than a mechanistic view of the world. People, and systems created by people, are more like other living things than they are like machines. Chapman (1924) confirmed this idea writing that, ‘the growth of a business and the volume and form which it ultimately assumes are apparently determined in somewhat the same fashion as the development of an organism in the animal or vegetable world’. Boulding (1950) extended the use of the organic metaphor to develop a life-cycle theory of the firm in which market forces determine ‘birth, growth, decline, and death of a firm’.

This analogy of biological determinism, however, has not been without its detractors. In the 1952 critique of life-cycle theory, Penrose wrote that ‘...the development of the firm does not proceed according to the same ‘grim’ laws as does that of living organisms’. Similar criticisms have been made throughout the succeeding decades by a variety of scholars (Hunt 1991; Cabatoff 1981). The often stated flaws in the analogy are that: 1. biological stages are predetermined; 2. all biological systems begin and end in the same place; 3. biological systems support the notion of predictability.

Despite these criticisms, a new generation of scholars have used the population ecology metaphor to explain the rise and fall of firms (Hanks *et al* 1993; McKelvey 1988). This may be because the life-cycle concept provides an elegantly simple model for the purposes of classification by academics. Thus, it has been used extensively in an attempt to account for changes in businesses. The focus of the analysis covers corporate organization (Chandler 1962; Greiner 1972), small business organization (Olson & Terpstra 1992), systems (Miller & Friesen 1983; Quinn & Cameron 1983), managerial composition (Kazanjian 1988), job creation (Birley 1986), politics (Gray & Ariss 1985) or strategies (Porter 1980). A model, developed using organic criteria, is not very accurate for the purposes of determining the relationship between cause and effect (Van de Ven 1992), but it is a useful framework for describing changing conditions (Hanks *et al*, 1993).

### **Product life-cycle:**

The life-cycle model has also been utilized in marketing especially to describe products. In a long established text, *Marketing Management*, Philip Kotler (1980) charts the developments and debates in the theory of a product life-cycle from the writing of Joel Dean in 1950. Kotler identifies four stages in ‘the sales history of a product’ using the life-cycle model of introduction,

growth, maturity and decline. He writes that the use of the life-cycle concept relating to products originated in the ideas of diffusion and adoption suggested by Everett Rogers in *The Diffusion of Innovations* (in Kotler 1972).

The use of a life-cycle model is supposed to assist in making sense of a complex process which takes into account: buyer and behaviour, products and product change, marketing, manufacturing and distribution, research and development, foreign trade, overall strategy, competition, risk, and margins and profits (Kotler 1972). However, some analysts may use the simplicity of an evolutionary model to avoid trying to understand the interconnectedness of both the internal and external factors which affect any product (Van de Ven 1992). Yet, again the intuitive knowledge that change happens over time makes a life-cycle model a user-friendly model.

### **Theoretical and methodological problems: attempting to define ‘industry’**

A definition of ‘industry’ is necessary before an analysis using a life-cycle model can be instituted (Nightingale 1978). However, Easton *et al* (1993:16) note that ‘the very concept of an industry is among the most difficult to define in the lexicon of economic and industrial organization analysis’. Unlike a firm or a product, an industry does not have clearly defined boundaries. The boundaries which determine ‘who is in’ and ‘who is out’ are a matter of perspective.

One way of deciding ‘who is in and who is out’ of an industry is to use a classification system such as that developed in the 1950s by PWS Andrews (in Nightingale 1978). He defined an industry where:

1. the behaviour of one firm can be generalised to most of the firms
2. firms have similar technical resources
3. firms have similar backgrounds and experience.

These three criteria are problematic for all the industries included in this study. While it is true that the companies which have a license to make wine are ‘winemakers’; this seems to be where the similarity ends. The variety of ownership of grapes, winemaking machinery, bottling and storage facilities and export certification are all factors which create distinctions within the industry (Harfield 1997). Winemakers definitely do not have the same technical resources. Nor do the printing company managers share similar backgrounds and experience. Entry into the industry has been relatively easy for owner/managers/operators of small businesses. The lack of ‘industry’ knowledge has not been a hindrance for many managers, for them a business is a business.

A second way of setting boundaries is to use the international industry identification numbers, NZSIC. Government data is collected from firms concerning their main activity, and firms are grouped within commonly designed categories from the general to a more specific grouping. A three digit through five digit designation is used to set the boundaries. This however, is problematic as the numbers have usually been in use for some time and the advances in technology, products and shifts in types of industries often make the system impossible to use as a definitive indicator of an industry. For example, 32400 designates 'footwear except vulcanised or moulded rubber or plastic and wooden footwear'. This number used to mean leather or canvas finished shoes, but now includes 'rubber soled footwear manufacture' and 'sole manufacture' and 'sandals' but not 'school's sandals'. It includes 'leather boot and shoe manufacture'; but what about eel skin manufacture? Thus, NZSIC designations are only an indicator of industry boundaries, as adaptation to new technologies and fashions is a continual process (NZSIC 1987:52).

Hunt (1972) is credited with questioning the homogeneity of an 'industry' and suggesting that a 'strategic group' should be the unit of analysis. This group within an 'industry' is closely aligned because of common competitors. Calling on this research Porter suggests that

... the individual industry, consisting of a group of competitors producing products that are close enough substitutes that the behavior of any firm affects each of the others either directly or indirectly. Common observation suggests that the firms in an industry often differ from one another along a variety of dimensions... These variations reflect differences in the competitive strategies of the firms in that industry... (Porter 1977:102)

For Porter (1977) industries are made up of groups of 'strategic groups'. Many other strategy researchers have taken this view (McGee & Thomas 1986) but especially in the cognitive mapping area (Hodgkinson 1997; Eden 1992; Reger & Huff 1993; Huff 1990; Porac *et al* 1989).

However, the concept of 'strategic groups' has limitations. If a group is defined as manufacturers of 'safety boots', then group members might be held together by competition within a market. But, if a group is defined as an association to lobby for specific legislation, firms who manufacture ladies fashion shoes might also be part of the group (Swan & Newell 1995; Bell 1994; Enderwick & Wilson 1992). In a 1995 survey of members of the Auckland Federation of Manufacturers, footwear division, 12 of the 17 surveyed firms wanted the Federation to lobby on behalf of the manufacturers for a continuation of present tariff levels. Clearly, many members of the Federation perceive the group members as other than competitors, at least when it is a matter of broader common interests more in accord with Andrew's view of what constitutes an industry.



And yet any description of an industry is fragmentary at best (Hassard & Parker 1993; Rosenau 1991). Whatever method is used to decide industry membership, it is important to remember that 'industries' are arbitrarily set categories and boundaries which must take into account both structure and function. Even though the definition of an industry is problematic, industries are often defined in New Zealand by the presence of the member associations. In this study approximately 80% of footwear manufacturers and printers were members of their respective industry associations. There are firms who remain outside the associations, but because of the smallness of the population, the industry 'outsiders' are in constant contact with the industry 'insiders' thus creating industries with an identifiable membership.

A social constructivist view of industry is one in which membership in an industry is determined by the discourse of the members (Watson 1994a; Alvesson & Deetz 1996; Spender 1989). In this study common discourses are evident in footwear manufacture and winemaking, however 'printing' which has a greater dependency on technology for competitive advantage has become more diverse. This diversity as noted in the Wellington Printing Industries Association classification system which lists over 100 categories. This diversity has been acknowledged within the 'industry' by the designation of 'printing industries' for the member associations. However, for those who self-identify within one or more of the 100+ categories there must be a 'discourse in common'!

Michael E Porter has a specific view of industry; industry is always a 'potential' location.

Any definition of an industry is essentially a choice of where to draw the line between established competitors and substitute products, between existing firms and potential entrants, and between existing firms and suppliers and buyers.  
(Porter 1980:32)

His advice is to 'decouple' the industry definition from the businesses in which the firm wishes to become involved. This he says will eliminate confusion concerning industry boundaries. It may eliminate confusion for him, but the boundaries which are used in this study remain contestable.

### **Industries and the life-cycle model:**

Whatever the definition, if the term 'industry' is going to be used, some 'collective' ideal is required. In *Competitive Strategy* Porter (1980) placed 'industries' on the list of 'concepts' which could be analysed using a life-cycle model. However, in a footnote he indicates a controversy about whether the 'life-cycle applies only to individual products or to whole

industries' (1980:157). His option is to use the product life-cycle model and apply it to industries while clearly indicating some of the limitations:

1. a diversity of duration of stages
2. not all industries move through the model chronologically
3. the actions of one company may affect the path of a whole industry
4. the nature of competition may differ across industries.

Despite these obvious limitations, the life-cycle model has been used by a number of authors other than Porter, for analysis at industry level (eg. Miller & Friesen 1983; Quinn & Cameron 1983). However, he argues that the problem with the evolutionary model is that it cannot be used to predict outcomes. Porter (1980) therefore offers a concept of *evolutionary processes* which he claims can be used to 'predict industry changes'. However, Easton *et al* (1993) argue that the underlying mechanisms which drive the cycle 'are descriptive rather than prescriptive'. I find it difficult to believe that hierarchy, collectivity, and human decision-making are clearly predictable in a life-cycle model. I agree with Easton *et al* that the purpose of the model is to form a frame for a description rather than to be the location of what will happen.

Easton *et al* (1993) also suggest that industries are a series of relationships which may be direct or indirect depending on the life-cycle phase of the industry. The concept of life-cycle is used to imply a dynamic pattern of events, and responses to events, within industries. However, the ability to state categorically that an industry was born or died on a given day at a given time in a given place is almost impossible.

### Who is in and who is out?

One way to define an industry for the purposes of this study would be to use the NZSIC data. Using NZSIC numbers, it may be possible to support the argument for the use of the life-cycle model in the analysis of industries. The use of government statistics to define 'who is in and who is out' focuses on the relationship between of the number of firms entering or exiting an industry in the NZSIC category.

Table 4.1 Industry Life-cycle.

Emerging	Mature	Declining
entry>exit	entry=exit	entry<exit

Thus an emerging industry is characterised by the number of firms entering being greater than the number of firms exiting. Mature industries are classified as those with a balance between entry and exit. Industries with fewer entries than exits are classified as declining.

But even then, the birth (emerging) or death (declining) of an industry can only be discerned with hindsight. However, as it is in hindsight that most research takes place, the analogy of a 'life-cycle' (McCloskey 1985) remains a simple but popular model within which to locate complex and dynamic phenomena. And it is for this reason that I follow in the steps of those who have gone before.

#### **A set of criteria for industry selection:**

What was noticeable in looking at the New Zealand business statistics for the late 1980s and the early 1990s was the changing structure of the economy. Two trends were obvious. Firstly, the manufacturing sector was declining in terms of the numbers of persons employed, while the service sector was growing (more of this in chapter 7). A second noticeable effect was the rationalisation within industries, large companies were disappearing while many small companies were appearing in some industries and the reverse was true in others.

To bring some order to this chaos, we, my supervisor and I, decided that we would use four selection criteria for including an industry in the research. I outline the criteria, the rationale and my experiences of the process in the following section. And you will note the adaptability of the research agenda by the addition of a fifth criterion.

##### **1. THE INDUSTRY HAD TO BE DESIGNATED AS MANUFACTURING.**

Manufacturing industries are easily identified by the designation of a 30000 number within the NZISIC system. I assumed that only choosing industries designated as 'manufacturing' (with a 30000 number) for the project would enable comparison in analyzing structure and strategy. However, the manufacturing statistics between 1985 and 1995 revealed a great deal of change, probably due to de-regulation, the 1987 share-market crash, and the 1990 recession (Hamilton 1997).

It is difficult to gain accurate statistics for the period as major changes in data collection priorities were continually taking place (for a more complete discussion see Hamilton 1991). Thus, existence of differing and incompatible categories makes comparison over time problematic. However, aggregate employment figures in manufacturing indicate some of the level of decline. (Some might think it ironic that data for an aggregate workforce was not collected until the mid-eighties when unemployment started to become problematic for some and policy for others).

Table 4.2 Employment in Manufacturing 1981-1996.

Persons engaged in employment in New Zealand				
	1981-82	1986	1991	1996
manufacturing	296,751	304,748	237,177	257,675
total	-	1,165,536	1,203,434	1,262,973
percentage	25.0%	26.1%	19.7%	20.0%
population	3,229,800	3,307,084	3,434,950	3,660,364

Source: Statistics New Zealand

Although the number of people employed in manufacturing has declined dramatically, manufacturing is still a major contributor to the economy. The 1995 review by the Manufacturing Advisory Group, claims that manufacturing accounts for 25% of the value of exports. Manufacturing thus retains a significant place within the economy.

Although a number of 'industries' have the 30000 designation, the definition of manufacturing is problematic. Most of the literature assumes that 'a product' which will progress through the life-cycle is at the core of manufacturing industries (Kotler 1972). Some studies assume that the technology which is used in production is the major determinant of the life-cycle (McCombe 1989). But what about products or services which do not decline? How could they be related to the change in an industry structure ?

## 2. SUPPORT OF AN INDUSTRY ASSOCIATION.

Obtaining qualitative data presents a challenge in interpretative research projects (Easterby-Smith 1991; Buchanan *et al* 1988). Gaining access to data requires forming a large number of 'relationships' based on the basic social behaviour of the given 'culture' (Rubin & Rubin 1995; Gergen 1994; Tonkin 1992; Turner 1988). In New Zealand 'everybody knows everybody' so the expected norm is a 'personal introduction'. Thus I assumed that a form of 'introduction' to a number of managers in each industry was required. The industry association seemed to be the most logical route to individual managers. Although not all manufacturers are members of industry associations, the majority are, and I assumed that 'official' support would make access to manufacturers easier. I also wanted access to archival material which would give an indication of the issues which were important to the association (Enderwick & Wilson 1992; McCombe 1989; Cooper 1977).

More about my experiences with industry associations is found in the Preface.

### 3. EACH INDUSTRY HAD TO FIT ONE OF THE CATEGORIES OF THE LIFE-CYCLE MODEL.

As noted above my own acceptance of the 'life-cycle' model was a rocky road and I didn't feel that I could 'shove' just any industry into a standardized mould.

I worked my way through the statistical data on 'births' and 'deaths' which we have in the Department, as well as the publicly published data on 'activity units' and 'persons engaged' (Statistics New Zealand 1980-1996). I found that the possible number of industries which fit the evolutionary model was limited.

However, wine and footwear fit the criteria of the entry and exit model.

Table 4.3 Industries and the life-cycle.

Life-cycle	Emerging	Mature	Declining
	entry>exit	entry=exit	entry<exit
	WINE	----	FOOTWEAR
1988-1993	48>39	???	49<68

Source: Statistics New Zealand

I assumed that a way to verify an industry for inclusion in the study was that it had self-identified as being in one of the 'life-cycle' stages. Both the emerging and the declining industries were easily identifiable in the media. Wine production growth is 'news' each year with the release of the WINZ Annual Report in which the industry is identified as 'emerging'. The footwear manufacturing industry appears to be in 'decline' with the continued reports of closures and job losses. The footwear manufacturers identified themselves as 'declining' in a submission to the government on tariff reduction and again at the Annual General Meeting which I attended.

### 4. THE PRESENCE OF AN INDUSTRY DEVELOPMENT PLAN.

I found out 'accidentally' that the Department of Trade and Industry was instrumental in a series of Industry Development Plans during the late 70s and early 1980s. An IDP then became a principal criterion for the industries to be studied. Initially I thought that a comparison between IDP recommendations and firm practise might possibly be a way of organizing the data.

A second reason to use the IDP as a criterion was that I assumed it would be a place to start the conversation with the managers. However, I found that most managers did not know about the IDPs. Those who did were usually executive members of an industry association. These examples of disruption in my knowledge-making process helped to remind me that 'knowledge is relative' and socially constructed (Marshall & Reason 1997; Denzin & Lincoln 1994).

I eventually realised that the IDPs were the voice of 'government' which again put the managers into a black box. The hand of the 'economist' was very visible (Kelsey 1995).

#### 5. ATTENDANCE AT THE ANNUAL CONFERENCE.

This criterion was not on the initial list, but at the suggestion of one of the footwear manufacturing managers, I attended their annual meeting (1995). This gave me a chance to meet some of the managers whom I had not been able to contact. I was also able to talk with suppliers and retailers. The information in the conference material was an excellent way to verify my own impressions concerning the issues which were of interest to the industry.

I also attended a number of wine industry functions. The Annual General Meeting was held in the conference room of the Institute. Because of the relatively small size of the room, I assumed it was a very 'intimate' affair and did not attend. However, the AGM was only one of a number of events arranged for industry members during the week. I did attend the two-day New Zealand Grape & Wine Symposium which was sponsored by the suppliers to the industry. Again I was able to talk with suppliers and managers I had not met before. The final event I attended was the Air New Zealand Wine Awards wine-tasting. This took place on the day after the Symposium and the industry was out in force to taste the 1003 wines which were submitted to the competition. I swilled a lot of very fine wine and was able to speak with managers from parts of the country that I was unable to visit such as Hawkes Bay, Martinborough and Otago. I even spoke with some managers whom I had missed on my rounds in Blenheim and Canterbury. I thought that the black-tie Awards dinner was beyond the budget of the study, but I did talk with two of the award winning managers during the Auckland interviews. Serendipity again?

#### **Toby's dilemma:**

Finding a 'mature' manufacturing industry was difficult for two reasons. One is related to the research model and the other is related to access to research participants (Buchanan *et al* 1988).

Some of the 'mature' industries which had IDPs in the early 1980s have ceased to be industries. Other industries which did gain government assistance such as automobile manufacturing, automotive tyre manufacturing, and writing implements have become monopolies or duopolies. Other industries which could be classed as 'mature' have two or three international players and two or three New Zealand firms as would be expected in a 'mature' industry (Hamilton 1997). However, they were uninterested in the project.

The first problem was a conceptual problem. Or rather an application problem. The concept of an evolutionary model applied to the 'reality' of a de-regulating economy is problematic. If all

the protection is removed from domestic manufactured products and imported products are able to 'flood' the market then a 'mature' manufacturing industry may not exist. Evidence of a problem locating 'mature' manufacturing industries is the continuous decline in employment and plant in the manufacturing sector.

Those industries reviewed by the IDC were chosen specifically for the commission to pick winners and losers (Bollard 1987; Holmes 1976). Some industries such as the automobile industry which had high levels of employment were given a temporary reprieve, but the writing was on the wall, protection was on the way out. (In the last year almost all of the car assembly plants have closed.) The industries which were mature in the early 1980s were headed for decline unless export markets could be found. The IDC perceived that export was the only way that economies of scale could make New Zealand manufacturing internationally competitive. Thus ship building, footwear manufacturing, ceramics and writing implements were given up to world-wide competition. Electronics, plastics and wine were to be given government support to move into the international marketplace which why LeHeron & Pawson (1996) argue that the process has been one of re-regulation rather than de-regulation.

My question is, can there be mature industries in a deregulating economy? Do mature industries only exist in a stable environment? I wanted to write a chapter on the impossibility of a 'mature industry' existing in de-regulating economy. But a wiser head prevailed.

But the second problem is a consequence of the first; lack of access to manufacturers. I attempted to make contact with the three or four possible 'industries', but after a series of rejections I was very discouraged. In most cases a lack of interest on the part of the main players, who usually worked for international corporations, was conveyed to me via the EO of the industry association after weeks of negotiation. In one instance I negotiated with the CEO of the only company left in the industry, but eventually he also decided against participation.

However, my supervisor insisted that I find a mature industry. He suggested that printing had been around for a while, four or five hundred years, and that it could be designated a mature industry on that criterion alone! But if I was going to study a mature industry, I still wanted it to fit into the life-cycle model based on the available data. Table 4.4 indicates that printing could not be classified as a mature industry based on the data for entries and exits; it looks more like an 'emerging industry'. Looking at the total number of new firms, it appears as though the industry is growing. A closer look at the data, however, shows that the larger companies are decreasing in number as the total number of firms increases. In 1984 the four largest companies



accounted for 48% of industry sales, but in 1995 the four largest companies only accounted for 19% of industry sales (Birks & Chatterjee 1997). This general trend, the growth in the number of small firms within all sectors of the economy, appears to be part of the major re-structuring process within New Zealand (Hamilton 1997; Birks & Chatterjee 1997; LeHeron & Pawson 1996). According to some the large number of firms will ensure 'competition' and the 'lower prices for the customer'.

Table 4.4 Job and General Printing (NZSIC34202) entry and exits.

Job and General Printing 1987-1993								
	1987	1988	1989	1990	1991	1992	1993	total
entry	-	89	112	72	120	101	124	618
exit	-	52	48	73	93	69	84	419
sole prop	669	696	766	762	798	825	870	+201
firm	56	53	59	57	49	43	40	-19

Source: Statistics New Zealand

The second criterion which an industry had to meet in order to be included in the study was the presence of an IDP. This was also problematic for printing. Book publishing was reviewed in 1978 and deemed not to warrant government support. The volume of book publishing in this country has continued to decrease dramatically, with much of the production now taking place in Asia. The largest New Zealand printing company, Whitcome & Tombs, was sold to Brierley Investments, as part of their acquisition and asset stripping binge during the 1980s. Today the site of the 'largest printing plant in Australasia' is a shopping centre in Christchurch (Waite 1996; Arts 1989).

However, the number of employees within the industry appears to be 'static'; 9550 persons employed in 1987 and 9659 in 1996. In spite of the absence of a comprehensive IDP, we decided that the printing industry could be used as a 'bench mark of stability' against which to compare the other two industries. Initially I decided to talk with five or six managers in Christchurch rather than attempt to collect data nationally.

The personal recommendations of the printer at the University of Canterbury started the project. From the first interview I learned that indeed the industry has undergone the same rationalising of larger firms and proliferation of smaller firms experienced by the other industries in my study.

The planned five or six interviews snowballed into 19 interviews when I realised that the ‘stable’ industry was in the same state of flux as the others in this study (Harfield 1997; Harfield & Hamilton 1997a; Harfield & Hamilton 1997b).

### **Endnote:**

This chapter is a bit of a mish-mash, a collection of bits and pieces, fragments. Fragments which make up the whole, or fill the gap, or enlarge the gap?

The variety of discourses I found when attempting to write about the ‘de-regulation’ era is still very problematic. Just as I noted in chapter 2 that I was not able to claim ‘epistemological’ purity, I think that the written works which have informed this chapter do not have ‘epistemological purity’. When is reform de-regulation and when is a revolution re-regulation? Some writers were more ‘ideologically pure’ than others. The question remains: what kinds of readings do texts provide?

*I find it easier to write from a variety of perspectives, but I still want others to take a firm position which is readily recognizable as such. Oh those binding tensions!*

A second question which warrants further exploration is the effect on the managers in this study of the tug-of-war between the government agencies with their conflicting definitions of competition. What effect does that have on ‘the way we do business’? Are people willing to use a ‘new’ discourse to be part of the conversation, while retaining old practices and beliefs? Is there a gap between the discourse used and current business practices?

Is it possible to claim that a new ‘dominant discourse’ has become embedded in the everyday practices of business? Knights & Morgan (1991) describe the development of the strategy discourse in business and management education, and the attendant power relations. However, the role and importance of competition maybe overstated because of the internal ‘competition’ within the policy-making bodies and individual bids for dominance in a variety of spheres. Competition as the ‘dominant metaphor’ of the strategic management discourse, therefore, remains problematic.

*Christchurch 12:30pm August 1996*

*Working on an article using the footwear stories, an article where they can really tell their stories. The stories are not about prescriptions, but descriptions. Bob says they are like journeys not destinations. How is this a different view from the strategic management literature of process? Process still assumes a destination!*

*Christchurch 12:30am May 1997*

*I am working on the thesis; I have written about this industry so much I never want to see it again. The first two articles read ok but seem so hard. Keep them in or chuck them out? But the difference in writing style is part of the process of moving from 'modern' to 'postmodern'. The different styles are necessary as an example of plurality. My multiple voices. Examples of the different stages of the project. Part of an emerging structure!*

*Christchurch 12:30am August 1997*

*Another footwear manufacture closed. For a brief moment I was an 'insider' now I feel like an 'outsider'. How can I phone and say how many are left?? It seems like such a long-time ago. I can hardly remember anyone. The managers have faded, the stories have become objects. Positivism has got it right! I have lost touch, I was a fleeting moment in their lives, but they are a major part of mine.*

*But I still want their stories to be paramount. I can't seem to get the order of the chapters right. Lay the chapters out on the table, the managers end up at the back again. Push them to the front, but then how can anybody know the context? What about one for me, one for managers? And put the appendices right at the front instead of the back! Managers, toby, toby, managers, context, managers, mikie, managers, endnotes, bib. A much better structure.*

*We are survivors.*

*This is a significant statement, but why?*

*We are survivors*, was my introduction into the world of footwear manufacturing in New Zealand circa 1995. It is an important statement, both to the members of the footwear industry and to this researcher. *We are survivors* means that there is still an industry after 10 years of de-regulation, although it has been described as being in decline (FMFS 1994). *We are survivors* also means that research is possible concerning the strategies used in a declining industry (Zammuto & Cameron 1985; Harrigan 1980).

The stories in this chapter re-present the experiences of owners/CEOs of footwear manufacturing firms who have managed within a declining industry through a decade of increasing international competition due to the progressive liberalization of the economy (LeHeron & Pawson 1996; Kelsey 1995; Bollard 1992). Local footwear manufacturers had 80% of the market in 1985, but are less than 20% of the market in 1996 (FIC 1995).

The opening of footwear manufacture to international competition, by discontinuing all import quotas and licences and reducing tariffs, has changed radically and dramatically both the size and the structure of the industry. In 1980 there were over 100 business units manufacturing footwear, today there are fewer than twenty. Most of the remaining footwear manufacturing is done by small family owned businesses as the larger international companies withdrew with the advent of liberalisation (FIC 1995). The industry has contracted and the sale of cheap imports is concentrated in one discount retailer, but the changes have also instigated the restructuring of individual firms.

**Knowledge claim # 3: strategy is a journey  
not a destination as has been traditionally claimed.**

Rather than an end-game as suggested by Harrigan (1980), this declining industry appears to have transformed into a sophisticated cottage industry with niches in both domestic and export markets. Although individual firms appear to have found 'pockets of demand', the capacity of the industry is maintained by co-operation as well as competition (Kenworthy 1995; Easton *et al* 1993; Nielsen 1986). The industry is concentrated in small family-type firms which supply their own up-market speciality outlets, independent retailers, and large discount retailers. This change of identity from manufacturer to retailer, from manufacturer to service provider is part of the journey of 'strategic adaptation' (Campbell-Hunt *et al* 1995) that industry survivors have taken. Strategy appears to be a journey not a destination as suggested in the traditional strategic management literature (Porter 1980; Harrigan 1980).

## The New Zealand Footwear Manufacturing Industry:

*The footwear industry, of course, is a good example of an industry in decline.*

NZSIC 32400 is the industry designation for manufacturers of footwear with leather or fabric uppers. This classification is one of four which designate the manufacture of footwear. However, it is the only one which is dedicated solely to footwear. The statistics for the number of business sites and the number of persons engaged are available for 1987-1992.

Table 5.1 New Zealand footwear manufacturing, 1987-1992

### Declining trends in NZSIC 32400

Year	1987	1988	1989	1990	1991	1992	loss
business units	127	120	113	109	104	85	42
persons engaged	3683	3003	2217	2357	2094	1659	2024

Source: New Zealand Statistics

The Footwear Manufacturers' Federation was organised over 100 years ago. This industry association was initially created to deal with striking cobblers in a declining market. Over the last century the footwear industry has undergone continual adaptation and change. The latest round of adaptation has been generated by the external changes, as outlined in the Footwear Manufacturing Industry Development Plan which came into affect in 1986. The decline is measured in the number of pairs of shoes produced; 5,986,00 pairs in 1988 and 3,700,00 pairs in 1992. Employment has also declined dramatically; industry wide figures fell from around 8,500 to 2,000 during the last decade.

### A pause for reflection:

This chapter is problematic for me because five articles have already been written using the data. Two articles have been published in international refereed journals (Harfield & Hamilton 1997a; Harfield & Hamilton 1997b). One article was published in the *Proceedings of the Strategic Management Educators Conference, 1995*. One article is presently under review for *Organizational Research Methods*. None of these articles was written in a postmodern style. The articles still read well, and it is hard to give them a new identity. My 'habits of mind' are not as flexible as those of the managers in this chapter (Margolis 1993).

I have only attempted to write one paper in a postmodern style using the footwear manufacturing data. That paper was presented at the 'Narratives & Metaphors Conference' in Auckland in 1995. This

international conference brought together academics from a range of disciplines who focused on these themes. Organization\management disciplines were represented but the papers were mostly concerned with uses of narrative and metaphor as alternative content. My experiment in alternatives of structure and form was not accepted for either of the books which are to be published from the conference papers.

I have attempted to follow the lead of the managers and strategically adapt. I have constructed a new version of the footwear manufacturers' journey. I retained some of Porter's (1980) categories of a declining industry to frame the discussion on the firm strategies and industry structure. I have also retained the literature review on declining industries and methodologies which use interview data.

It is interesting to note that in this 'declining' industry, just as in the 'emerging' industry cooperation\competition is required to ensure industry survival. As in the other two industries studied, the flexibility required for 'sustainable adaptation' is also evident (Campbell-Hunt *et al* 1995).

### ADDING TO THE KNOWLEDGE CLAIMS

Cameron *et al* (1988) indicate that the literature on decline is marked by problems with definition. They outline four commonly used synonyms for decline. In their view, decline is not downsizing or retrenchment; downsizing and retrenchment are often, but not always, responses to decline (Greenhalgh 1982). Decline is also not turbulence, in as much as turbulence is short lived (Drucker 1980). Decline is not ineffectiveness in its own context (Murray & Jick 1985), but if parameters change ineffectiveness could be both a cause (Sutton & Callahan 1988) and a consequence (Harrigan 1980) of decline. They argue that decline is the lack of continued support from the environment (internal/or external) for 'business as usual' which could be explained from a population ecology perspective (McKelvey 1988), a resources based perspective (Williamson 1991) or as a social construction (Easton *et al* 1993). In this study decline is presumed to originate in a lack of environmental support and is presented from an historical perspective (Tuchman 1994; Hendry 1992; Dunkerly 1988; Beard 1934).

Murray & Jick (1985) suggest a key events model of the process of decline. The model posits an iterative process of action: a model of problem identification, decision-making, implementation and outcomes. The model was constructed in an attempt to integrate a fragmented literature. They argue that most of the taxonomies focus on the decision-making phase, but ignore the problem identification phase. Again much research has eventuated on the implementation of policy, but it often remains separated from implicit or explicit outcomes of the process. Thus, they suggest that 'the interaction between and among' the components will give a better understanding of the process. But little research on how to manage decline has been published. This study focuses on how the process of decline has been managed in the footwear manufacturing industry. It is expected that by giving descriptions rather than creating

prescriptions, the complexity of the process as suggested by Murray & Jick will be acknowledged. Illustrations are often as helpful as prescriptions?

The range of generic strategies available to managers in declining industries continue to be presented largely in terms of those developed by Harrigan (1980). Harrigan's pioneering work on declining industries gave us the expression 'end-game' which conveys something of the assumed rate of industry decline, and the limited life span of firms involved. This essentially short term view of declining industries also serves to justify the nature of the recommended set of generic strategies.

The prescription of one generic competitive strategy to maintain an advantage does appear to be rather restrictive. In particular, there appears to be some contrast between the assumption of intense competition (Porter, 1980) which has conditioned much of the strategic thinking in the literature, and the reality of co-operation among firms prepared to share their collective adversity, especially in a small and personally connected industry such as footwear manufacturing in New Zealand (Harfield & Hamilton 1997b).

More recently Easton *et al* (1993) studied both the process of decline and the evolving structure of an industry undergoing decline, and concluded that 'transformation' is more accurate than 'endgame' as a general description of how managers respond to this situation. They argue that industries can both progress and regress, and that this capability will be perceived as continuity in the face of discontinuity (Meyer *et al* 1990). However, Easton *et al* would agree with Meyer *et al* that the interplay of adaptive and evolutionary change will, over time, determine the structure of an industry. The question which remains is whether or not concepts of transformation and continuity are meaningful and more appropriate than endgame to managers facing rapid industry decline.

Cameron *et al* (1988) created a model of decline within which to locate reviewed articles. They also suggest an iterative cause and effect model: change, deterioration of adaptation and/or reduction of resources, and the responses. This model acknowledges the diversity of both a philosophical perspective and an operational expediency. Their discussion takes into account the various levels of analysis within the literature. They note that most research is at the organizational (Nystrom & Starbuck 1984, Sutton & Callahan 1988) or person level (Greenhalgh 1982) leaving gaps at the macrolevel concerning research into whole industries in decline. This study attempts to add to the literature on industry decline by focusing on both micro- and macrolevel changes (Harrigan 1980; Easton *et al* 1993).

A discussion of macrolevel decline is expanded by Zammuto & Cameron (1985). They attempt to describe and explain the complex interaction between decline in the environment and the responses of individual firms and individual managers. They argue that each firm has a niche within an industry, which has a specific size (market share) and shape (competitive position). Individual firms respond to environmental factors which directly effect their niche. Whether firm response is erosion, contraction, dissolution or collapse, size/and or structure of the niche will have to adapt to the new environment. Each of these states requires both tactics and strategies for adaptation. It would appear that the footwear manufacturing industry generally is having to adapt to a smaller niche, and a different industry structure which would place them in the dissolution quadrant. Managers are dealing with a process of continuous decline and formulating strategies required to diversify organizational risk (Meyer *et al* 1990).

### DESTINATIONS IN DECLINING INDUSTRIES

Harrigan (1980) acknowledges that managers, companies, and industries are not homogeneous and the timing of strategies has as much to do with predicament as with perception (Campbell-Hunt *et al* 1995; Zammuto & Cameron 1985). At the same time, she suggests a generic set of strategies as destinations for firms in declining industries:

1. withdraw from the industry
2. improve relative position in the industry and market
3. adopt strategies appropriate to new market conditions before rivals do
4. increase efficiency
5. reposition market orientation.

The Footwear Manufacturers' Federation reports that all of Harrigan's strategies have been utilized by members during the last decade (FMFS 1994).

Harrigan (1980) also suggests that 'pockets of demand' will remain in declining industries, but that declining industries *per se* are an 'end-game'. I assume that those footwear manufacturers still in business have found their 'pockets'. However, transformation and continuity seem more appropriate than endgame to describe the New Zealand footwear manufacturing industry as it continues to retreat from volume, but to develop a new industry structure.

Harrigan's methodology is also problematic. She suggests that 'observing' the experience of firms which 'manage declining business' is one way to discover a new industry structure. However, this experience should be presented in such a way as to 'maintain objectivity' by not



intermingling experiences with the 'analytic treatment of them' (1980:56). This apparently positivistic view of research is just one example of the 'black box' approach often found in the strategic management literature.

Use of an interpretative methodology (Mishler 1986) seems more in keeping with the diversity of the companies in the footwear manufacturing industry especially as individual companies appear to have adopted strategies which run contrary to the view of an industry which is in decline.

### **CREATING TALES OF DECLINE**

This study adds to the small number of interpretative projects which present an insider view concerning decline. Hardy (1987) studied the closure of 10 large organizations in the public and private sector in both Canada and the United Kingdom. Her data was drawn from over 200 interviews and archival material. Sutton & Callahan (1988) studied the process of bankruptcy using a grounded theory methodology. The research included personal and phone interviews, company and court records, and participation in creditors' meetings. Spender (1989) interviewed 19 managers of iron foundries in England and Scotland. Easton *et al* (1993:327) used semi-structured interviews to gather data in the tufted carpet industry where 'individual researchers were left to follow the flow of the conversation as they judged necessary'.

Porac *et al* (1989:397) interviewed managers of knitwear manufacturing firms in Scotland, and presented the data in verbatim accounts in an attempt to link their 'firm-level strategies to group-level structures'. They suggest that an interpretative methodology (Rabinow & Sullivan 1987) is complementary to the explanations given by the traditional statistical methods in the strategic management literature. In a subsequent study, Porac and Thomas, this time working with Levenhagen (Levenhagen *et al* 1993) extended the presentation of the data, believing that industry fragmentation is better captured in the telling of stories.

### **STRATEGIC JOURNEYS**

Stories in this study were collected from the main sub-group within the footwear manufacturing industry, those firms involved in the manufacture of mens and womens casual and fashion shoes. In all, executives from 23 firms were interviewed, including the largest and the smallest firms in these categories. However, within this group there is a wide range of manufacture: slippers, tramping boots, athletic shoes, childrens shoes, school shoes, wedding shoes, dancing shoes, orthopaedics, and workboots! I also interviewed suppliers of raw materials, buyers for large department stores, and independent retailers. Archival material on

footwear manufacturers is also available from radio interviews, television programmes, or magazine and newspaper articles.

Their tales could be classified as journeys searching for the 'holy grail' or possibly tales of woe. The industry boundaries are continuously shifting with the removal of tariffs, increased penetration of imports and continuing closures of factories. With each change comes a new crisis for the industry. The following journeys are indicative of the flexibility required to make sense of a rapidly de-regulating sector caught up in a globalizing economy (Harfield & Hamilton 1997b; Campbell-Hunt *et al* 1995).

### **Changing industry structure:**

On the whole the industry has behaved much in the way one would have expected. Some firms correctly identified the vulnerability of their positions in the absence of very high levels of protection from international competition. These firms faced relatively low barriers to their exit from the industry, so they got out quickly. This created some temporary carrying capacity in the industry, giving the survivors time to readjust to the new and much more hostile environment. It also generated a pool of surplus assets and labour which survivors were able to acquire on terms favourable to the buyer. The journeys of the survivors have been made possible by their strategic flexibility and the cooperation within the industry to ensure its survival.

The main move of the survivors has been to diversify into retailing. This initiative has also brought with it a much greater awareness of the importance of marketing as part of any survival strategy. As the major importer and retailer, The Warehouse has affected buyer concentration which in turn influences the prospects of local manufacturers. The growth of cheap imports has fuelled the raise of the dominant retailer, as a consequence of which independent retailers have closed. This in effect threatens to strangle the domestic manufacturing industry by essentially narrowing the distribution channel to one outlet (or none at all). Hence it is not surprising that two-thirds of current manufacturers now own and operate at least one retail outlet.

*The ones who will be left will be the ones who have their own outlets, the ones who know their own niche market very well. [The ones] who are working on improving customer service, responding very quickly to the market's needs. [The ones who are] really maintaining a high level of quality manufacture and [the ones who] can come in at a competitive price.*

Porter's (1980) view on vertical integration seems to be at odds with the experience of the survivors in this industry. He has indicated that vertical integration is a barrier to exit, whereas these managers appear to have taken advantage of an opportunity.

The literature on declining industries also stresses the importance of keeping the level of capacity in the industry in line with demand. Footwear manufacturers have introduced new technologies; restructured the work process; and reduced the labour force. McCombe (1989) studied the changing technology in the industry from 1983 to 1989 and found that productive efficiency of the industry was increased by equipment upgrading, modularising work processes, and computerising plant. This kind of activity indicates an optimistic view of the future of the industry. One might think the behaviour more in line with the characteristics of an emerging industry.

*I don't look at it as a declining industry. I look at it as a developing industry, a changing industry. The industry is part of the whole economy, it is all changing.*

*We have not declined, we have developed different strategies pushing us to a solidier foundation. Once we have established that foundation, we can hopefully reap the profits; a foundation of experience and growth.*

Even though the times are tough, the New Zealand manufacturers continue to cooperate while they compete. The focus of this cooperation has been on ensuring that industry capacity is used when and how it is most advantageous to the industry.

*We have to keep our factory working 48 weeks of the year. We do try to fill it with other work, with contract work. This is on top of supplying our export customers in Australia. We have gone from more exporting to more contract work until we have established our export market. We do a little more contract work than export. In fact they are competitors who have asked us to make their shoes. We can produce more shoes but have no more capital outlay, this keeps my people working.*

However, on the basis of the experiences of this industry, the prevailing view that a firm should choose one generic competitive strategy (Porter, 1980) to maintain their advantage does appear to be rather restrictive. In particular there appears to be some contrast between the

assumption of rivalry in a declining industry which has conditioned much of the strategic thinking in the literature, and the reality of collective co-operation in adversity. The survivors in this industry have recognised the importance of maintaining a minimum production volume and actively co-operate to ensure industry survival.

**Initial response:**

In his well-known prescriptions for enterprises in declining industries, Porter (1980) requires firms to scan the environment for reliable indicators of decline so that appropriate competitive strategies might be formulated. In the case of the New Zealand footwear manufacturers, the legislative changes of the mid-1980s gave the same information to all players. However, while larger companies may have known what the future would bring, smaller companies took rather longer to perceive their situation.

*We really have had no strategies [since the deregulation process began], we just continued on our merry way because we didn't want to be disrupted by the Government. But in that time we have moved up-market productwise. We keep out of the cheaper end. We leave that to the imports. We watch what the cheap importers bring in and we keep away from it because you can't compete.*

*We are small and we can change direction relatively quickly. Our good customers, we look after. We have agents who sell to retailers. Many of the independent retailers have gone. But no one company can ever have it all.*

*It is mainly being able to gauge what the retailers want and that gauging has to do with keeping the relationships very close and very tight. There is a little bit of luck in it too, and getting onto something that takes off. We are able to get fast repeats. We just keep the retailers supplied with what they want at a price they can afford.*

*It was a good viable industry but now with the imports you can't be big, the overheads are too high. We used to lease machines and they were a real pain. There are setbacks in being small, you have to be a certain size to justify tooling cost, because you've got to get them back pretty quick so you can go on to something else. We will survive because we are small.*

The managers who have survived are those who perceived a commercial future for themselves and for the industry (Whipp *et al* 1989). Their strategy has been to differentiate between the 'cheap imports' and the 'high quality' domestic product. The manufacturers moved into the more expensive leather-upper shoe and abandoned mass produced low-cost footwear which became the preserve of the importers.

*Our strategy changed early to leather uppers. But now everybody else is making leather shoes. It had to happen, there is no other way to survive the low cost imports.*

*We let go of a number of sub-brands, as the retailers started to close down. We couldn't compete with the cheap imports. At first it was just junk, but now they are bringing in better shoes.*

#### **Perceived exit barriers:**

Given the progressive reduction in protection, the continued penetration of imports, and the increasing dominance of one large cut-price retailer, why would anyone continue to manufacture footwear in New Zealand?

Porter has noted that

... in the extreme case in which managers are the shareholders, the opportunity for and likelihood of emotional barriers to exit is probably the greatest. (Porter 1980:263)

This expectation is corroborated in this study. Some surviving firms have been in the industry for over 100 years; you might say that footwear is in the blood. There also appears to be a lifestyle reason for staying. Indeed, personal goals were mentioned more often than profit for staying in this strategically weak industry.

*We are down to 1/3 [number of manufacturers], the mens business is more decimated than the womens business. I thought that I would be one of the lucky ones, or one of the hard working ones, whatever you call it, that would survive.*

*In the old days we were right up-to-date all the time. We turned over 20% each year for new equipment, but the new machinery today is too costly and*

*only made for mass production. You don't need skill, you just need to push a button. But they are expensive. We can't buy new machinery because of the marginal cost without and within.*

*The family grew with the industry after the war [WWII] and now we shrink with the industry. Some go to Australia, some stay here, some get out of the business all together. Everything changes. But we are resilient people, we have been in the business 40 years and we keep on fighting. The other thing is, in my case, that is all I know and shoes are in my blood, but that is the same for the rest of my family.*

### **Opportunities:**

Those who remain in the industry appear to have taken advantage of the opportunities presented. Their competitive advantage is the ability to adapt to rapidly changing conditions. Among the opportunities which firms in this study have grasped are the direct importing of both cheap and expensive footwear, off-shore manufacturing, firstly in Fiji and now China, and both domestic and overseas retailing especially in Australia.

*We make comfortable shoes for the mature woman. We design a new line each year. To do this we travel the world to find out the new trends and adapt those trends to the Kiwi foot. We upgraded our equipment and skills to make use of computer technology. We installed a CadCam system. We changed the work practices and reorganized the shop floor to use the skills of our people better.*

*We have a small export business to the US and Canada. That happened because someone saw our shoes and decided to market them for us. We also export to Australia, in fact most of our exports are to Australia. This makes us vulnerable to the exchange rate fluctuations. It is a matter of getting the balance right. We make good shoes but local knowledge is what sells good shoes.*

*We have lost many staff due to attrition over the last 10 years but we have become more efficient in the process. It has been hard to change the thinking of the people around here. I have to work against a resistance to new practices and new practicalities. As the CEO I need to be able to have*

*the vision, but also to get the rest of the organization to accept that vision. Our people needed to be clear that cost containment means survival. The staff got the message pretty quickly, people hang on to their jobs now, people accept lower bonuses. We tried to position ourselves so that we could take advantage if anything came right after the big fall out and we are still surviving.*

*A flexibility of strategy is what is needed. That is why we find out what our customers want, we travel and we ask. In a declining industry, if you have a competitive advantage, such as we do with knowledge of design which gives comfort, then it is possible to continue to make a profit.*

In addition, survivors have used the opportunities presented by the decline of the industry to make their New Zealand businesses more efficient. Small companies were able to obtain advanced equipment cheaply as the larger plants exited the industry.

*In 1983 we were very aware of constitutional changes in respect of protection. What we were able to speculate about, of course, is how that would affect our market. The writing was on the wall very clearly that the number of imports would increase and the number of locally made products would decrease. We perceived at that point that a large number of footwear manufacturers were very inefficiently run, making very poor product. I was convinced that the industry was a sheltered workshop.*

*Our company still had opportunities because of our specialization, and as a firm we have grown while the majority of the industry has continued to contract. We bought excess machinery from those who left the industry early. We have increased production and moved into larger premises. But the most important factor, more important than obtaining cheap capital equipment, has been the availability of staff who are reasonably well trained and reasonably adept.*

*We decided early for a distinctive style, to become a known brand which includes our custom-made shoes and a small production run for sale in our retail outlets. We are cutting our own path, we are not slipstreaming some global trend.*

With continued liberalisation, tariff levels will continue to fall until the year 2000 and, based on past experience, this will stimulate more imports. However, for a few manufacturers the pressure comes through their contracts to supply the dominant New Zealand retailer, which requires that domestically produced footwear not exceed the cost of imports. And there is the China factor (*Economist* 1996), nobody in the world will be able to match their 'cost'.

#### SEGMENTS AND FRAGMENTS AND INDUSTRY

These descriptions of managing in an industry in decline are presented as stories with the intention that the reader will gain an insider's perspective (Merton 1972) on change in the footwear industry in New Zealand. However, these illustrative stories are presented with the knowledge that gaps exist. Firstly, representatives of the firms which no longer manufacture shoes are not available. Thus one-sided data have been collected, that of survivors. Secondly, not all current manufacturing firms were part of the study. I interviewed managers from the 23 firms who produce the majority of the mens/womens shoes. However, the largest manufacturers in the country make safety footwear which must meet industry safety specification. This lack of total participation again means that some commonalities and differences which might be obvious with a whole population are absent.

Thirdly, what constitutes an industry continues to be problematic (Prahalad & Hamel 1994). Nobody within the industry seemed able to accurately estimate the number of working factories during 1995. There are many 'cobblers' who do not work in a factory (industry source), but sell directly to specific retail buyers or directly to their customers at craft or weekend markets. Thus, this study must be read as a re-presenting a specific industry view point. The viewpoint is that of manufacturers of mens and womens casual/fashion shoes, who are none-the-less, the majority of current manufacturers.

In a small society such as New Zealand, in an industry which has a long history of protection (Wong & Brooks 1989) such as footwear manufacturing, commonality might be expected (Easton *et al* 1993: Spender 1989). Yet in this study strategic individuality is predominant in tales of these strategic journeys. The diversity of strategies adopted by those within the industry and the multiplicity of positions in the industry life-cycle became evident as the interviewing continued.

Those managers who accepted the identity of a retailer of quality shoes along with the identity of manufacturer appear, at least to me, destined to survive. Although a marketing orientation towards the 'needs' of the person who wears the shoes rather than a retailer, seems 'normal' in a 'market economy', even during the interviews in 1995, it emerged that this idea was new



to many of the New Zealand footwear manufacturers (Enderwick & Akoorie 1996).

### Endnotes

The postmodern issues of discourse and fragmented identities emerged most strongly in this chapter, both at the interview and writing stage. I think that the timing of the interviews was part of the reason. I have noticed that as the years roll on, the 'new' 'market economy' is becoming common, and thus normalized and unexceptional in both practice and discourse.

I met with footwear manufacturers just at the point of their acceptance of 'decline'. The Federation had just completed a submission to the government which argued for retention of higher tariffs after 1996. The government rejected their plea between the time I began my interviews and my attendance at the Annual Conference.

The speakers at the Conference were of 'one mind' in the acceptance of a continued decline in manufacturing. The delegates, on the other hand, appeared to have 'fragmented identities'; some talked of the need for government support, some talked of business booming, some talked of getting out of manufacturing and into importing, but 'government' was heard more often than 'competition' or 'market'.

When I talked with the printers in 1997 the word 'government' was seldom used. The conversations were full of 'the market' and 'competition', 'the customer' and 'service'. Although the printers seemed to be in the same fragmented state as the footwear manufacturers, they used a different language to account for it. De-regulation was not happening to them, it *had happened* to them and 'regulation by the market' is how they do business (Easton 1997; Kelsey 1995; Bollard 1992; GSBGM 1991). Thus, it appears that the discourse of 'the market' as embodied in a Porter-esque 'strategic management' discourse has, as the government expected, filtered down and become the 'dominant discourse' of many managers.

While the vocabulary of New Zealand managers has shifted, the practices appear to remain the same. The footwear manufacturers' journeys were similar to the journeys of the winemakers in as much as industry survival appears to hinge on a practice of competition\cooperation. Thus, it seems that there is a gap between the dominant discourse and industry practice with regards to 'competition'.

The industry survives as the number of manufactures continues to decline; four of the companies included in this study are no longer manufacturing footwear.

*Christchurch 12:30pm April 1996*

*I read,*

*"The act of authorship is the act of salesmanship"*

*in the preface of Competition in the Open Economy : A Model Applied to Canada  
Caves, Porter, Spence, Scott 1980.*

*Christchurch 12:30am April 1997*

*Porter has been brought back to NZ by Tradenz. At the seminar he urged NZ businesses to form 'clusters' for the wealth of the nation. NZ had clusters, ie the footwear manufacturing industry but that is gone. I am interviewing printers at present who are telling about the clusters they used to have that are gone. Surely in a small country in the middle of the ocean, 'clusters' are the only form of industry structure.*

*Things are not what they seem. We have the practices and the discourse of the market and competition at government level but few managers in this study have heard of Porter. That might be one way of 'managing' the strategic management literature, focus on Mikie, move from strategic management to competitive strategy??*

*Christchurch 12:30am July 1997*

*I am going through a number of articles and find that Porter is the usual example of positivistic 'rationality'. But he is not rational at all! When I read his books he seems totally 'irrational'. He covers all bases, he has no point of view, he has no location, he speaks from a variety of perspectives, often in one sentence. He clearly is constructing, firms, industries and nations. The number of variables which need to be 'juggled' to make sense of his 'theories' are too many for any one human mind.*

*This is obviously an example of postmodernism.*

*Just as the managers who I spoke with do not identify themselves as postmodernist, Porter, as far as I know, has not identified himself as a postmodernist. My 'reading' is through a postmodern lens, therefore I 'see' postmodern. How is that for an intellectual challenge?*

**Will the real 'strategic management' please stand up?**

Any glance through the management literature of the last decade or two shows the prominence of 'strategic management' and 'strategy'. The two, although not synonymous, are often considered as such. Strategic management is the name of an academic field of study, strategy is the main topic of study (Schendel 1994).

This section is intended to present a context within which this thesis is located rather than a critical review of the literature reviews. I am too new to 'the discipline' to understand the politics and the experiences of those scholars who have lived through the expansion of strategy research. I will briefly retell the strategic management tale through four review articles. However, I must begin by saying that I am surprised at the absence of Porter from these reviews. This interests me for two reasons: firstly, much of academic strategic management writing is 'aimed' at or includes his 'theory of strategy' (Lewis 1993). Secondly, he has played such a major part in my own 'induction' into the field (see the Preface).

Chaffee (1985) asserts that strategy is multidimensional and situational, but it suffers from a 'problem'

... the term strategy has been referring to three distinguishable mental models, rather than the single model that most discussions assume... Beyond reflecting various authors' semantic preferences, the multiple definitions reflect three distinct, and in some ways conflicting, views on strategy. (Chaffee 1985:89)

The models are; linear strategy, adaptive strategy, and interpretive strategy. The majority of the research is identified with a linear model which focuses on planning and forecasting. The second, the mental model is identified as adaptive and is the location of 'strategic management' which Chaffee (1995) considers an 'associated term'. Again a large number of scholars are placed in this category which 'tends to focus the manager's attention on means' and is concerned with 'fit'. The last model, the interpretative model, lists but four articles. For these authors strategy is a metaphor and is therefore not 'something which can be measured'. These authors use qualitative data and assume a socially constructed reality, but Pettigrew is the only author listed who continues to publish in the 1990s.

Although Chaffee 'reviews' the literature (we are not told how the broad-based but limited literature from the 1960s, 70s and early 80s was chosen), the real point of the article is to

argue for an integration of the different levels of strategy 'knowledge' to capture maximum complexity of the topic.

Porter is not listed in any of the models.

Fahey & Christensen (1986) claim that they are able to 'define the domain of strategy content research'. Three general categories -- goals, scope and competitive strategy -- appear to do the trick. Although writings are located under these headings, the discussion of the literature does not focus on these categories.

The authors begin by stating that 'strategic content' is found in many areas beyond 'strategic management'. Research which concerns itself with 'strategy' is also found in the literatures of OB, OT, economics, finance and marketing. (By 1997 there is no 'management' subject area which has been denied 'strategy' research, is there? Whip (1996) has an interesting tale)

The reviewed papers deal with the links between decisions, performance, and environment for corporations or their business units. However, there appears to be some oblique distinction between academic and practical literatures. Fahey & Christensen (1986) note that the foundations of the area for the *non-specialist* are located in 'corporate and competitive strategy' related to decision making as identified by Hofer & Schendel (1978), organization economics (Porter 1981) and marketing (Biggadike 1981). Competitive strategy research is defined as focusing on 'income-statement resource allocations' and performance is defined by 'accounting-based measures'. The tone is definitely one of 'disdain'.

The review focuses on evaluating six 'streams' of literature: goals and performance, diversification, strategic groups, market share and profitability, taxonomic approaches, and stages of industry evolution. The evaluations take into account representative research from the 1970s and 80s, but we are not given any indication of choice criteria. The taxonomy and evolutionary streams are those from which this thesis flows.

Fahey & Christensen are of the opinion that a lack of 'convergence' among strategy types is found within the 'taxonomy-oriented research'. The research into the subject of the 'evolutionary model' of industry has isolated a large number of variables which relate to performance in differencing phases of the life-cycle, even though the number and names of the variables vary. However, links between strategy and performance are still tenuous particularly in relation to specific industry stages.

Questions of methodology are also raised, the authors wonder to what extent the taxonomic research is 'data-driven'. There appears to be little concrete advice which can be given based on the research findings.

Consequently, from a theoretical perspective, we are surprisingly constrained in our ability to specify under what conditions organizations should adopt or relinquish specific strategy types. (Fahey & Christensen 1986:176)

They also suggest that the 'arms length' methodologies (secondary data bases) used in much of the research make it difficult to capture the important 'human behavior' variables, especially in the life-cycle research. The overall lack of longitudinal studies and empirical testing of theoretical assumptions presents an opportunity for continued research. Others might ask what is the 'relevance' of the research?

Further research is suggested in a number of areas including 'competitive strategy' which is a synonym for 'corporate strategy'. (this narrow definition seems to have been ignored by others; see the education literature, the small business literature and the human resources management literature) There is a need to obtain a greater conceptual development into 'the notion of competitive advantage' which lies at the heart of competitive strategy. (Has that been achieved by 1997?)

Porter's (1980, 1985) work is mentioned as part of the research area, but the 'tone' questions the value of his contributions. Remarks such as 'nonspecialist' and 'it has become popular to proclaim' are used in relation to Porter's books. The lack of inclusion of Porter in the discussions concerning 'generic strategies' or 'industry structures' also appears to relegate him to the margins of the research stream prior to 1985.

**Huff & Reger (1987)** review the 'strategic process research', which they define as

...research primarily focused on the actions that lead to and support strategy. Research in this area has included prescriptive and descriptive work on planning methods and decision making. (Huff & Reger 1987:212)

Although research is being carried out in a variety of academic disciplines, they limit the review to 'work by individuals who identify themselves with the field of strategy'. The articles are also limited to those published in seven leading journals after 1980 (Hofer & Schendel (1978) outline some of the early research). The papers are divided into three dimensions with polarities, thus a nine cell schema is used to assess the state of the art.

As would be expected, the number of papers reviewed is large (193) and papers are not easily placed in only one cell. The nine cells reflect the variety of research agenda, even within a 'process' view of strategy: planning and prescription, systematic implementation, decision aids, evolutionary prescriptions, planning practices, structures, systems and organizational outcomes, agendas (sic) and attention, contextual influences, and the mandatory 'integrative school'.

For the uninitiated, the differences between the 'content stream' and the 'process stream' are very difficult to perceive. The only difference seems to be the authors chosen for review. The articles reviewed include research at both the firm and the industry level, based mainly on the early work of Chandler and Rumelt. A large number of articles which analyze mental models or strategic groups are categorised, reviewed and evaluated.

The research is viewed from a perspective which values knowledge production. Huff & Reger (1987) argue that in 'strategic management' research there appears to be an epistemological problem with choosing between different goals of research; the 'objectivists' focus on explanation and prediction (normative) while the 'subjectivists' emphasise description and understanding. They claim that the desire for 'conceptual tidiness' creates a 'vocabulary' which supports sequential rational models much like the objectivist linear models critiqued by Chaffee (1985).

Huff & Reger (1987) are not as concerned with the need for 'convergence of theory' as are Fahey & Christensen (1986). However, they do wonder at the field's continuing practice of prescribing before describing, 'of giving normative advice before empirical evidence supports it' (1987). They list a number of research goals (again not very different from the review of 'strategy content') and complete the article with a plea to future researchers

It is our firm belief that the most significant contribution to research progress in the field will in fact be made by those who cross the boundaries that have been carefully built up over the last several decades. (Huff & Reger 1987:227)

Their plea for researchers to integrate the 'content' and the 'process' streams within the strategy research agenda seems not to have been heeded, at least according to Mintzberg (1990).

Henry (1990) has been working on the truly monumental task of creating an 'encyclopaedia' of strategic management research. He has located 10 'schools' of strategy research which have

developed from the emergence of strategic management as a field of study in the 1960s (Ansoff 1983). He describes and assesses the main players and tenets of each 'school' within its cultural context. His knowledge of the literature is breathtaking.

#### **The design school: strategy formation as a conceptual process.**

Harvard scholars during the 1960s (Christensen, Andrews and Guth) devised a prescriptive and normative strategic tool which captured both internal and external environments for individual firms. The SWOT analysis suggested strategies to take advantage of firm competencies within a static environment; thus the object of the strategy was to obtain a good 'fit'. The decisions were made by the CEO who focused on content. Mintzberg claims that this practice was too simple to catch the obvious complexity of the phenomenon being studied, but of course things *were* simpler during the 1960s.

#### **The planning school: strategy formation as a formal process.**

Ansoff (1965) extended the prescriptive rationalist perspective by creating a detailed account of the strategic processes required. This approach placed the emphasis on planning strategy rather than 'envisioning' strategy, as in the design school. The CEO was still 'in command' but the detailed instructions suggested that 'strategy' could be another functional position along with production, finance and marketing. The detailed processes initially seemed to augment the design school's vision of strategy. However, Ansoff eventually realized that focusing on the minute details of planning could lead to a lack of flexibility which would counter-act the benefits of strategy.

#### **The positioning school: strategy formation as an analytic process.**

A change was borne on the 'wind from economics' which blew through the strategic management field during the early 1980s. This school, which Mintzberg calls 'positioning', replaced rather than displaced the prescriptions of the design and planning schools. Mintzberg claims that the positioning school focuses on 'the selection of specific strategies, as tangible positions in particular contexts'.

The most famous exponent of this view is Michael E Porter. His 1980 book *Competitive Strategy* is considered a watershed in the development of strategic management thought, as it met the needs of both academics and managers who were looking for a 'theory of strategic management'. Even though the analysis of industry and competitors was developed especially for managers in large mature corporations, Porter's generic strategies and five forces industry frame presented academics with models which could be empirically tested. The use of generic

strategies and their effect on industry structure held a fascination for academics, and the promise of 'above average industry profits' held hope for the American corporations facing a recession.

Porter placed the dynamic relationship between enterprise strategy and industry structure at the centre of his concept of 'competitive strategy'. He presented the possibility of 'selecting' a strategy based on a well-defined 'position' in the economic market-place backed-up by 'analysis' rather than 'prescription' (did he promise analysis but only give prescription?). He popularized the Structure--Content (strategy)--Performance model from Industrial Organization economics (Thorelli 1977); forces within the industry determine the conduct of firms, which in turn determines firm performance.

And there are seven more, schools, that is.

The remaining seven schools are different from the first three prescriptive schools. Mintzberg says that these schools prefer to describe or attempt to understand strategic management. Research conducted under the rubrics of entrepreneurial, cognitive, learning, political, cultural, environmental, or configurational 'schools' focuses on a particular aspect of social interaction within a strategic management context. However, the research from these sense-making 'schools' remains on the margins of the strategic management field. This study obviously is a part of that persistent trickle (definitely not a flood) of interpretative research projects which attempt to make-sense of the use of strategy within a business environment. Mintzberg discusses the 'cultural school'. Scholars mainly focuses on the culture of individual firms, however their contribution to the field is bringing into prominence the 'context' within which strategy is embedded (eg. Volume 13 of *Advances in Strategic Management*, 1996). Thus, my own desire to privilege 'the context' would align me with the 'cultural scholars' although my definition of 'culture' is probably more inclusive.

Huff & Reger (1987) suggest that progress in the field will be made by those who cross the boundaries which have been 'carefully built up over the last several decades'. Mintzberg echoes this earlier plea to integrate the 'content' and the 'process' streams within the strategy research agenda.

#### **A broader brush:**

Richard Whittington (1993) has also devised an historical typology of strategic management philosophy and theory. He outlines the nature and the assumptions for each of four strategy 'conceptions' within which most of the literature could be placed. His view is that a dominant



‘concept’ is identifiable in each decade. The habits of mind and power relations of the different concepts overlap a number of the ‘schools’ designated by Mintzberg (1990).

Table 6.1: Four Perspectives of Strategy.

Four conceptual frames of strategic management				
	<i>Classic</i>	<i>Processual</i>	<i>Evolutionary</i>	<i>Systemic</i>
strategy	formal	crafted [adaptation]	efficient	embedded
rationale	profit maximization	vague [keeping on keeping on]	survival	local [act locally think globally]
focus	internal-plans	internal-politics/ cognition	external- markets	external- societies
process	analytical	bargaining/ learning	Darwinian	social
Key influences	economics/ military	psychology	economics/ biology	sociology
key authors	Chandler Ansoff Porter	Cyert & March Mintzberg Pettigrew	Hannan & Freeman Williamson	Granovetter Marris
Key period	1960s	1970s	1980s	1990s

Source: R Whittington *What is Strategy and does it Matter?* 1993

### Classical approach to strategy:

The classical view of strategy is based on the military tradition, in which the world is a rigid hierarchy with a solitary general who makes decisions. The military model is complemented by an intellectual inheritance from economics. The first use of the notion of strategy in economics was as a philosophical core of assumptions summed up in the ideal type of ‘rational economic man’ (sic). Rational economic man (sic) is a single entrepreneurial individual acting with perfect rationality to maximize his (sic) economic advantage.

Von Neumann & Morgernstern (1944 in Whittington 1993) ‘placed this singular figure right at the heart of their conception of strategy as an elaborate ‘game’ of move and counter-move, bluff and counter-bluff, between competing yet interdependent businesses. This view of individuals in tandem with Smith’s view that ‘each individual is continually exerting himself

(sic) to find out the most advantageous employment of whatever capital he (sic) can command', creates a stereotype of the manager who is focused on maximizing return on investment. Classical strategy places great confidence in the readiness and capacity of managers to adopt profit-maximizing strategies through rational long-term planning.

#### **Processual approaches to strategy:**

A processual view of the firm is one which postulates organizations as coalitions of individuals, each of whom brings their own personal objectives and cognitive biases to the organization. These views were articulated by Richard Cyert, James March and Herbert Simon -- what Whittington calls the 'Carnegie School' (1993:23)

For these scholars, strategy is a continuing process of negotiation because rational economic man is a fiction and people are only 'boundedly rational'. We know there are limitations to our 'rationality' because we

... are unable to consider more than a handful of factors at a time; we are reluctant to embark on unlimited searches for relevant information; we are biased in our interpretations of data; and finally we are prone to accept the first satisfactory option that presents itself, rather than insisting on the best. (Whittington 1993:23)

Processual scholars argue that because of these limitations strategy becomes the gradual adjusting of routines to awkward messages from the environment which eventually force themselves on the manager's attention. It has been noted by many researchers that 'markets' are quite tolerant of under-performance. One assumes that Porter (1980) would not have sold so many books if all businesses were obtaining 'above average industry profits' in the first place, one assumes!

Strategy is not only planned and followed action, but it is also a way to make sense of the chaos of the world, the creation of a discourse which enables understanding. Control, or the lack of it, is the concern of the classical theorists and the evolutionary researchers, but it is not on the agenda for the processual contingent. Mintzberg (in Whittington 1996) suggests that strategy is a continuous and adaptive process in which formulation and implementation are inextricably entangled. The ability to 'craft' a strategy is based on the view that the underlying strategic logic may only be perceived after the event. Thus, strategies are often 'emergent', their coherence accruing through action and perceived in retrospect, while successive small steps eventually merge into a pattern. (much like the research strategy for this thesis)

If the resources of the firm are located within individuals, then firms have the capacity to exploit and renew distinctive resources rather than merely attempting to find the correct position in the correct markets. For the processual researchers strategy is an incremental process which can exploit the imperfect markets by building up flexible firm competencies.

#### **Evolutionary approaches to strategy:**

However, it seems that business is not peopled with the 'ideal of economic man'. Not only do managers fail to set output at the theoretically profit-maximizing level where marginal costs exactly equal marginal revenue, but most managers have no idea what their marginal cost and revenue curves are! (Hall & Hitch 1939 in Whittington 1993)

Enter the experts! Economists adjusted to this business 'stupidity' by letting 'the markets' do the 'thinking'. With this view of the world, 'markets' not managers choose the prevailing strategies within a particular environment. Evolutionary theorists doubt the capacity of organizations to achieve differentiation and adaptation in deliberate and sustainable ways, although very large organizations with very deep pockets are probably able to affect the environment 'somewhat'.

For those strategists who adhere to the evolutionary view of competition, survivors may appear to be those who have *adapted* themselves to the environment. However, it is possible that the surviving businesses have been *adopted* by the environment, for example Microsoft. It would appear that long-term planning is counter-productive for achieving environmental 'fit'; therefore it is best to let 'the environment' do the selecting. Competition is the most effective form of 'weeding out inefficiency' or lack of adaptation, thus easy entry into markets is the way to ensure healthy industries. Barnett & Hansen (1996) are the latest entrants into the evolutionary stream with their discussion of the 'red queen' situation.

#### **Systemic perspectives on strategy:**

The central tenet of Systemic theory is that decision-makers are not simply detached calculating individuals interacting in purely economic transactions, but people rooted deeply in densely interwoven social systems. (Whittington 1993:28)

Granovetter (1985) has argued that economic activity cannot be placed in a separate sphere of impersonal financial calculation because of our social embeddedness. Economic behaviour is embedded in a network of social relations; families, the state, professions. These networks influence both the means and the ends of action, defining what is appropriate and reasonable

behaviour for their members. Thus, personal histories which include educational background, religion, gender, family position, and ethnicity all shape economic activity.

This social constructivist view suggests that the norms which guide strategy are not cognitive (Huff 1990), but cultural. Culture, defined as a series of social systems, effects and is affected by firms, industries and economies (Gergen 1994). Whittington (1993:29) argues that even with 'the contemporary in overseas trade and foreign investment, the peculiarities of history and society still matter'. It may be that

... the very notion of 'strategy' may be culturally particular. Arising in the particular conditions of North America in the post-war period, the Classical conception of strategy does not always fit comfortably in other cultures... American business works within a culture which respects profit, values technical procedures and regards the free market as an article of faith. (Whittington 1993:30-31)

I wonder whether these attributes are also 'native' to New Zealand (Novitz & Willmott 1989) or they are 'imports' which do not 'always fit comfortably' within this society?

Whittington warns us to take seriously the discourse of 'strategy'. It does not matter whether formal planning as prescribed by the classical school is *economically efficient*. If that is how the institutional players expect business to be done (see chapter 4), then it is *sociologically efficient* to play the game. It may be that the rationality of the classical approach is only a social construction, but as it is presently the dominant construction, it is difficult to ignore.

### **Strategy in a number of guises:**

One of the reasons Mintzberg undertook his monumental task is the vast array of possible 'definitions' of strategy. Very early in the piece Hofer & Schendel (1978) listed a variety of definitions of strategy in a field already full of eclecticism. Jauch did an 'inventory in 1983 and now I add a few of my 'favourites' to the ever growing lists.

Singer (1994) argues for a re-think of strategic management in light of ethical considerations. Shrivastava (1986) maintains that strategy is an ideology which serves the existing structures of American society and maintains the goals of the dominant elites. Knights & Morgan (1991) claim that strategy is a form of imperialism located within a discourse which cloaks the power of managers as a class in culturally acceptable clothing of science and objectivity. Whipp (1996) presents a timely postmodern history. However, as Whittington notes, it is the only game in town.

I am still left with the question, what is 'strategic management'?

### A pause for reflection

It would be so easy to get caught up in 'trashing' the whole thing. Foss writes that the lack of definition allows for the conversation, in much the same vein as the 'illusion of meaning' suggested by Hutchins. However, I need to do more than list the various versions and definitions.

I am an interpretative researcher. As a *bricoleur* I move within and between disciplines. What about Beeby's working definition of 'myth'? The movement between strategic management and education. A totally different conceptual framework may help shed some light on 'strategic management'; or maybe not.

### Or a myth?

In attempting to make sense of the literature in the field, I have searched for a framework or boundaries, and all that I have found is iconoclasm. And yet I set myself the task of making sense of the 'field' I am in. The best way seemed to be to assume that 'strategic management' is a myth. C.E. Beeby (1992), an educationalist, described the structure and function of an educational myth which seems to me to be appropriate in attempting to make sense of strategic management as an 'academic discipline'.

According to Beeby (1992) 'some of the noblest of human achievements are myths created to give a sense of permanence'. It seems to me that Beeby is correct when he writes that each generation creates or assumes its own 'unattainable but approachable goals' in the form of a myth. The function of the myth is to 'provide a criterion' against which all purposes can be judged' even though the multiplicity of purposes cannot be expressed in the myth. However, to be 'acceptable and effective' a myth must be meet certain criteria:

1. there must be a 'general accord' with some strong if not clearly defined, aspiration
2. the myth must be expressed in language sufficiently flexible to permit a reasonably wide range of interpretations
3. the language of the myth must allow the possibility of providing practical guidance
4. and most importantly, the myth must be 'unattainable in the near future' so that it may be sustainable through 'consistent change'
5. the final paradox is that the people working under the myth must believe in it so completely that they will fight for it in its youth, must hold to it in its middle age, but be prepared to see another myth set up in its place when it has served its purpose.

'Strategic management' and 'strategy', even 'competitive strategy' all seem to meet the Beeby criteria of a myth. The last criterion especially seems very apropos considering the 1994 *SMJ*

special issue. The issue, which attracted a record number of papers, began as a search for a 'new paradigm'. Could 'paradigm' be another word for 'myth'? Myer in his search for a definition quotes an informant

The whole field of strategy demonstrates the power of a nonconcept - strategy or policy. Neither strategy or policy has a meaning. In the extreme, they mean everything. (Meyer 1991:831)

Beeby (1992) however, argues that myths are part of continuity rather than of change, which agrees with Pondy's view of the use of metaphor (1983). (and strategic management is a great metaphor) And as we reach the end of this century with its rapidly changing social, political and economic environment, it may be that the 'myth' of 'strategic management' is important as a symbol of continuity, stability, and permanence within a globalizing ever changing economy.

If the purposes of a myth are many and varied, it may be that the words 'strategic management' serves as a myth which gives a sense of purpose to decision makers, academics, business writers and publishers. It may be that 'competitive strategy' has offered 'salvation', or 'uniformity'; to all businesses engaged in 'competitor analysis' while on the road to 'success'. The search for 'success' or 'survival' is a myth of the first order (Kaye 1996). The fragmented identities of the 1980s and 90s may be attached to the 'web' of strategic management' which proclaims uniformity in individuality (Michael E Porter 1980, 1985, 1990, 1996).

I suggest that indeed one of the major myth makers (Kaye 1996; Fiske 1990) is Michael E Porter. He has worked as a consultant to governments and business groups and individual firms. This activity, as well as his popular strategy books, suggests that he is an ardent supporter of 'strategic management' in its mythical form (Barry & Elmes 1997; Forster & Browne 1996; Knights 1992).

### **PORTER'S JOURNEY**

Rosenau sets out an historical account of the relationship between author, text, and reader. The initial phase is noted by the 'power' of author-ity, with an assumed passive reader and a text of 'complete wisdom'. Phase two is indicated by the acceptance of the incompleteness of the text and the questioning of the privileging of the 'author'. The currently accepted wisdom is that the interpretation of the text by the reader is the actual seat of 'power' and author-ity.

Different readers are expected to offer divergent interpretations of a text because there are multiple realities in a post-modern world. Reading is textual construction, not knowledge building. (Rosenau 1991:39)

Thus any reading of strategic management texts is an interpretative process or sense-making exercise carried out within the reader's 'context' (Marshall 1997; Schwandt 1994; Fiske 1990; Chartier 1989; Spender 1989; Leitch 1986; White 1978).

In my case, the context is in part constructed from within a postmodern sensibility. This sensibility seems to have reached critical mass in 1985. It appears to mark the 'postmodern turn' within a number of academic disciplines (Bertens 1995; Rosenau 1991). Many of the new books published that year openly declared themselves to be post-modern, and a larger number of others were obviously 'informed' by postmodern concerns. Within this thesis the 'turn' is evident: Chaffee, Gray, Bougon & Donnellon, Granovetter, Lincoln, Hardy, Smircich & Stubbart.

Michael E Porter also published in 1985. Although many authors (Barry & Elmes 1997; Forster & Browne 1996; Whittington 1993) would claim that Porter is a leading exponent of 'positivism' with its attendant deterministic rationalism, it may be that Porter is also part of the 'postmodern turn'. The following interview tends to confirm this view.

Words from a myth-maker: an interview with Michael M Porter:

**CHRISTCHURCH 1997**

**TOBY:** *First let me say that I do appreciate your agreeing to be interviewed for my thesis. Because I knew that I would be interviewing you, I have been reading the academic literature concerning your contribution to strategic management. Most authors place you within a 'rationalist' paradigm.*

*However, my reading of your articles and books is that you could be located within a postmodern paradigm. Firstly, the interdisciplinary nature of much of postmodernism is evident in even your earliest writings. Huff & Reger and Mintzberg call for a crossing of boundaries. You appear to have made a conscious choice to do just that even before their suggestions. Boundary crossing seems particularly noticeable in Competitive Advantage.*

**MEP:** *It is not possible to acknowledge all the contributions in the various disciplines that have influenced in some way the ideas presented.*

*Competitive advantage is hardly a new subject. This book cuts across many disciplines, because marketing, production, control, finance, and many other activities in a firm have a role in competitive advantage. A long tradition of research in business policy and in industrial economics bears on this subject. Competitive advantage cannot be truly understood without combining all these disciplines into a holistic view of the entire firm.*

**TOBY:** *It might be said that Chapter 6 'competitor selection', is a diatribe against monopoly, a plea for duopoly or evidence in support of the theory of oligarchy. However, I read the chapter as an early introduction of the concept of 'social construction' into the strategic management literature. It does seem to me that on a second and a third reading the moral flavour, or is it fervour, almost borders on ideology as suggested by Shrivastava. Would you say that it was an attempt to expound an ideology or is it a description of the practice of social construction?*

**MEP:** *I show how a firm can influence whom it competes with.*

*In practice, a firm must understand where each of its competitors falls on the spectrum from good to bad and behave accordingly. A good competitor understands and plays by the rules of competition in an industry, and can recognize and read market signals.*

*Some bad competitors will never become good competitors. A firm must be prepared to fight battles in order to convert bad competitors into good ones. For example, a foreign competitor entering what it perceives to be a strategic market is usually a bad competitor. Its stakes are too high, and it may also not understand the rules of the game.*

*These considerations suggest that a firm must continually work to manage its competitors' expectations and assumptions.*

**TOBY:** *A third postmodern concern is plurality. The privileging of plurality is most noticeable in Chapter 13 when you write about uncertainty and industry scenarios. I understand that a variety of options would be a departure from the commonly held view that you are only concerned with prescription. For instance, Berry & Elmes argue that your books are popular because of the 'ready made' identities available for managers. Have you changed your view?*



**MEP:** *Competitive strategy is about being different. Scenarios aim to stretch thinking about the future and widen the range of alternatives considered.*

*The future industry structure under each scenario will usually have different consequences for different competitors. Competitors will respond to structural change in ways that reflect their goals, assumptions, strategies, and capabilities.*

*Scenarios aim to reduce the chances that actions taken to deal with one element of uncertainty in an industry will unintentionally worsen a firm's position vis-a-vis other uncertainties. An industry scenario is not a forecast but one possible future structure.*

**TOBY:** *In my own work I have chosen to focus on three postmodern concerns as part of the production of my thesis. It seems to me that these particular concerns-- discourse, fragmented identities and research as resistance-- are also evident in your writings.*

*Although you do not claim membership within a postmodern tradition, I think that you have indeed created a discourse of strategy which centres around 'generic strategies'. I haven't read all the recent 'strategic management' texts, but those which I have read, have 'generic strategies' attributed to you in a prominent position.*

**MEP:** *The notion underlying the concept of generic strategies is that competitive advantage is at the heart of any strategy.*

**TOBY:** *I have also noticed that the discourse has moved beyond academia. It seems that you have created a 'common' business discourse as well. The managers in my study did not say 'low-cost leader' or 'differentiation' or 'focus', but they all talked about their niche market, selling on price and how they were different from everybody else.*

*I know that you say firms must make a choice to gain and sustain a competitive advantage but a number of studies such as Miller and Dess, Bowman, Miller & Friesen and my own, indicate that managers don't make a choice; they use all the strategies. As far as you are concerned they are 'stuck in the middle'. I don't want to debate whether or not this is an accurate state of affairs, but I do want to suggest that 'stuck in the middle' has entered the lexicon of strategic management along with the generic*

strategies. Are these expressions, as part of the 'competitive strategy' discourse, traceable to your influence?

**MEP:** While selecting and implementing a generic strategy is far from simple, they are the logical routes to competitive advantage that must be probed in any industry. If a firm can achieve and sustain overall cost leadership, then it will be an above-average performer in its industry provided it can command prices at or near the industry average. A firm that can achieve and sustain differentiation will be an above-average performer in its industry if its price premium exceeds the extra costs incurred in being unique.

Each generic strategy involves different risks. In most industries, quite a few competitors are stuck in the middle. Becoming stuck in the middle is often a manifestation of a firm's unwillingness to make choices about how to compete. It tries for competitive advantage through every means and achieves none.

**TOBY:** I can see that you are still committed to your view of the world, so let's move to another postmodern concern which I hope will be less contentious.

I notice that 'fragmented identities' is a category which could be applied to your five forces frame, the value chain and your focus on segments in Competitive Advantage. These fragments from business policy, industrial economics and marketing seemed to have been re-presented in a 'simplified' visual form which appeals to managers, based on the popularity of your books. The ideas which have been imported from the other disciplines appear to make a whole which is larger than the sum of the parts.

These ideas appear to me to be clearly related to the definition of industries. The fragmented nature or lack of easily identifiable boundaries of industries is not, I think, captured in the attempt to find 'commonalities' but may be captured in the 'differences' which you appear to focus on.

When did you notice that the fragments were greater than the whole?

**MEP:** Some very mundane industries are extremely profitable. The industry trends that are the most important for strategy are those that affect industry structure.

*The five-forces framework does not eliminate the need for creativity in finding new ways of competing in an industry. Instead, it directs managers' creative energies toward those aspects of industry structure that are most important to long-run profitability.*

*The value chain provides a way to identify a firm's sources of differentiation. Differentiation results from both actual uniqueness in creating buyer value and from the ability to signal that value so that buyers perceive it.*

*Segments stem from intraindustry differences in buyer needs and cost behavior. Segmentation is clearly pivotal to the choice of focus strategies.*

**TOBY:** *I have personally attempted to write within a postmodern sensibility. Some academics would classify this as 'research as resistance' against privileging dominating discourses. This is because of the indeterminacy which is evident in my findings and conceptualizations. It seems to me that you also use 'research as resistance', especially in Competitive Advantage. One might say that indeterminacy was the hallmark of your writing.*

*I know that I have already asked you about the creation of a competitive strategy discourse, but it seems to me that your views of 'stuck in the middle' are an especially good example of the myriad of possible metaphors available. Would you just outline your views on "stuck in the middle" again?*

**MEP:** *A firm that engages in each generic strategy but fails to achieve any of them is "stuck in the middle." It possesses no competitive advantage. This strategic position is usually a recipe for below-average performance. A firm that is stuck in the middle will compete at a disadvantage because the cost leader, differentiators, or focusers will be in a better position to compete in any segment.*

*A firm that is stuck in the middle will earn attractive profits only if the structure of its industry is highly favourable, or if the firm is fortunate enough to have competitors that are also stuck in the middle. Becoming stuck in the middle also affects successful firms, who compromise their generic strategy for the sake of or prestige.*

*If a firm can achieve cost leadership and differentiation simultaneously, the rewards are great because the benefits are additive--differentiation leads to premium prices at the same time that cost leadership implies lower costs. Where competitors are stuck in the middle, none is well enough positioned to force a firm to the point where cost and differentiation become inconsistent.*

**TOBY:** *So what you are saying is that firms can use one, two, three or four of the generic strategies. Again I would say that if indeterminacy and plurality are hallmarks of the postmodern discourse, future scholars will have to rethink your position within the field of strategic management. Placing you within a 'rational positivist' location may have been a bit hasty.*

*I am sure that we could continue this 'conversation' for a long time. But at this point I would like to say thank-you for taking time out of your busy schedule to speak with me. I can only hope that I don't get "stuck in the middle" as I work my way through my thesis.*

#### **Endnotes:**

It would be so easy to get caught up in an over-extended debate about the merits, or even the existence, of 'strategic management' or 'strategy'. And it does not seem 'imperative' that I have to 'claim' allegiance to any one 'school' or 'tradition' for my own work. However, I am struck by the variety of positions concerning Porter's work taken by other academics.

Lewis (1993) suggests that Porter developed a 'theory of strategy'; that one is too difficult for me to substantiate and I am certain that any number of economists or marketers would dispute it. Foss (1996) argues that the field is too pluralistic and Porter is used as an example of this problem. He writes a detailed account of some of the economic 'contributions' via Porter (1980) but complains that the later Porter is too eclectic and thus adds nothing to the 'foundations' of the field. Forster & Browne (1996) offer the thought the Porterian approach adds the needed complexity to industry analysis. At the same time they wonder how Porter managed to 'lose' the managers from the analysis. Gilbert (1995) even attempts a playful rewrite of Porter's view of competition.

Much of the strategic management literature attempts to come to grips with Porter's ideas. At the same time the implication is that he is a bad researcher. His lack of clear definitions for his 'models' is a matter of agreement rather than debate (Foss 1997; Hill & Deeds 1996; Sharp & Dawson 1994; Bowman 1992; Miller & Friesen 1983). And there is a similar large scale

concern with his lack of empirical data. Yet, these same models appear to have become the 'foundations' of strategic management. Am I missing something??

Initially I was going to present Porter's work in an annotated bibliography focusing on continuity and change. His journey however, seemed too simple, he noted early on that public policy and industrial organization economics should get together, well his strategy has worked! As I read his material I was struck by three recurring thoughts; how badly he writes, my own lack of training in economics which would help me to evaluate his 'models', and fact that he has sold a great many books.

My reading has not uncovered anyone else saying how badly he writes. On the other hand, economists comment on the 'clarity' and 'simplicity' of ideas. When re-reading *Competitive Strategy* and *Competitive Advantage* in the same week it seemed that there was a pattern in the 'bad writing'. I thought that the first book was the description of a chess board and the second book a description of chess moves and their consequences. Chess definitely could be called strategy! (Von Neumann & Morgernstern were concerned with moves and counter-moves after all)

Maybe the people who buy the books by Porter are chess players and read them through the lens of 'the game'. Maybe the managers do not read the texts; it might be that Porter texts are merely 'trendy' or the latest 'fad' which must be 'seen' on the shelf, but left unread. It may be that nobody wants to shout 'the emperor has no clothes on'. Whatever the explanation, the whole 'Porter phenomenon' is a good example of the social construction of knowledge (Forster & Browne 1996; Knights 1992; Smircich & Stubbart 1985; Morgan 1983). What counts as knowledge, who the gatekeepers are and how knowledge is disseminated would be an interesting way of discussing Porter's knowledge claims and that is another research project.

My attempt to make sense of some of the writings of Porter, in the form of an interview was undertaken for two reasons; firstly to avoid a tedious rehash of his material and secondly to give a practical example of the postmodern claim that the meaning of a text rests in the 'eye of the beholder' not the fingers of the writer.

Knights (1997:5) writes: "For knowledge, like any artifact, only develops out of the conditions that make it possible and is only reproduced when selected out for attention by those who find it meaningful. In this sense, knowledge is 'true' because it meaningful not meaningful because it is 'true', although the latter inescapably follows from the former." My attention obviously

made it 'true' that Porter could be read as a postmodern writer. However, the exercise was more difficult than I thought it would be. While reading through a vast amount of Porter's writing my mind obviously filled in words and ideas that Porter never did write (McGuigan & Black 1986). When I came to use the words which I thought he had written, I could not find them. However, the 'tangential answer' is a common practice in academic seminars and it seemed a very appropriate technique to make the 'interview' 'realistic'. As Leitch (1986) says, fiction has to be 'plausible'.

Appendix L on pages 208-211 indicates the sources of Porter's 'interview replies'.

*Christchurch 4:30pm September 1995*

*I am sitting in the library going through the business activity reports from 1985.*

*The manufacturing sector is depressing. The number of workers, the number of businesses and the number of business units have all but disappeared.*

*At the same time the service sector is growing. I wonder if this is happening everywhere? We have services marketing but I can't seem to find anything on service industries.*

*Christchurch 12:30am May 1996*

*Still working on the footwear paper for the N&M conference. It doesn't matter much as nobody is going to turn up to a 9am last day slot.*

*What would a postmodern strategic management paper look like? The content is already stories rather than statistical analysis. What is the form? What about making the stories look more important than the theoretical framework? That would support my desire to focus on the methodology.*

*What is the structure? What about structuring the paper as a process? What does a process look like? What does it sound like? And then, and then, and then, sounds like the stories that managers tell. What about structuring the paper as three tales? Managers' tales, researcher tales and academic tales.*

*Christchurch 12:30am May 1997*

*I am sitting in my office listening to the last of the printing industry tapes. The managers are not interested in having one strategy, does that imply inflexibility?*

*They want to be flexible, obviously a single strategy is out was it ever in? None of these guys have heard of Porter including the guys from the big companies.*

*But they all talk about competition and cooperation, just like the footwear manufacturers and the winemakers. They talk about the market and customer service they have learned a new language, but have they changed the way they do business? I don't know I didn't ask. At least the ones I talked with continue to adapt and survive.*

**I don’t know is on third:**

This chapter is the manifestation of my search for the third industry for the research project (see chapter 4 for my views on the problem of studying a mature industry).

I don’t know whether this is a mature industry.

I don’t know why the chapter got stuck down here at the back of the thesis.

I don’t know what topics to focus on. The industry was of more a test than an exploration.

Sometimes ‘emerging research’ is such a pain.

It depends on where I start.

As Easton *et al* (1993) write, ‘much of the work of economists and strategy writers implicitly or explicitly refers to mature industries’. A mature industry is characterised by one or two or three very large companies which control the majority of the market (just like the wine industry). This oligarchy is often complemented by a number of smaller companies to which the bigger companies didn’t pay much attention, but which are necessary for the formation of a critical mass to support suppliers and even buyers within an industry. The questions of size, scope, entry and the other forces in Porter’s model can be answered ‘as of one mind’ as the cognitive strategists suggest (Porac *et al* 1989).

However, the information gleaned from the interviews of printing industries managers suggests that it is very fragmented industry, much more like an emerging industry. There is no ‘dense network’ as suggested by Burt (1992), but there possibly are ‘the good rivals’ which will ‘drive innovation’ by creating the ‘red queen’ situation as suggested by Barnett & Hansen (1996). Innovation has been driving the re-structuring of the industry or is it technological upgrading rather than innovation (LeHeron & Pawson 1996; McCombe 1989; Cockburn 1983)?

The printing industries in Canterbury are a good example of ‘fragmented identities’ (chapter 1). Most of the managers to whom I spoke identified with competitors who were in Auckland, Wellington or Australia. They printed on paper, plastic, cardboard and cloth. They produced books, magazines, advertising materials, and Lotto tickets. The variety of possible media on which to print, and the need to expand to pay for costly equipment, means that the boundaries are shifting and the industry is in a state of flux. As one manager noted, *look at that desk, everything on it has printing on it, we are no longer just putting ink on paper.*



**Knowledge claim # 5: that the best strategy for all firms within a  
de-regulating economy is 'sustained adaptation'.**

Campbell-Hunt *et al* (1995) argue that indeed shifting boundaries and fragmented identities would be the case in a deregulating economy. Their great bloody chart boils down to the fact that stability is but a faint memory, there is no 'equilibrium' there is only chaos and constant change. The managers in this study agree that 'change is here to stay' (Watson 1994a; Whittington 1993).

Campbell-Hunt *et al* (1995) suggest that sustained adaptation is a stage in the development of doing business in a deregulating economy and that

Leading firms are more likely to base their competitive strategies on product differentiation, specialization, flexible production ability, cost advantages, product range rather than the ubiquitous resort to quality. They are also investors in training workforces and design skills. (Campbell-Hunt *et al* 1995:57)

The best practices which Campbell-Hunt *et al* suggest were evident in much of the printing industry. None-the-less a resort to the 'ubiquitous quality' is also everywhere evident!

This chapter is another example of strategic management research which is focused on description rather than prescription (Huff & Reger 1987) as part of a sense-making narrative of New Zealand de-regulation. I am using Porter's (1980) description of mature industries to frame some strategic journeys in this 'mature' industry.

**To begin at the beginning...**

The first European settlers to New Zealand brought the tools of their trades with them. Canterbury settlement ships, including the *Charlotte Jane*, arrived at Christchurch in December 1850. In her hold was the printing press which was to print the first edition of the *Lyttelton Times* on 11 January 1851, just 20 days after arriving in New Zealand.

From the beginning the community institutions, such as the Provincial Government, the University, the churches and the Canterbury Jockey Club, all depended on the printed word. Printing grew along with the settlement and in 1889 the first formal association of printers was formed. The Christchurch Master Printers' Association was initially created to curtail price cutting practises by setting standard fees for standard services. This is a recurring theme within the printing industry in Canterbury, and it is eloquently detailed by Tony Arts (a Canterbury

Master Printer) in *A History of the Canterbury Master Printers' Association, 1889-1989*. The problem has not gone away, it remains a concern of present industry members.

In 1997 approximately 60 companies are members of the Association and there are possibly another 30 firms working outside of the ambit of the Association. The structure of the industry appears to expand and contract as new processes, new products and new personalities find their way to Christchurch.

#### **Industry structure in 1997:**

The change of name from the Master Printers' Association to the Printing Industries Association in 1975 was indicative of the growing diversity within the industry (Arts 1989). This diversity is apparent in a number of different areas.

The most obvious characteristic is the diversity of company size; from the very small to the very large. The industry includes old presses in the 'backyard shed' and business units of multinational corporations. However, many of the companies are still family-owned businesses which have traded in Christchurch for a long time. Although there will always be a tension between small and large enterprises, Porter (1980) suggests that the diversity of company sizes makes for a thriving industry within a mature market. He argues that the diversity creates a rivalry which in turn pushes the industry to be innovative and thus maintain its competitive advantage.

The second noticeable characteristic of the industry is the diversity of processes. The industry has expanded beyond the simple model of the Master Printer who 'put ink to paper'. The advent of industrial photocopying, plastics as a medium for print, bar coding as the backbone of inventory control, and the encroachment of the computer into every part of our lives, has expanded the definition of 'printing'. The extent of the diversity is noted by the Wellington Printing Industries Association classification system which lists over 100 categories under the 'printing industries' banner. Although the diversity of the processes adds to the rivalry, it also is a major factor in the crisis of 'identity' which is besetting the industry at present (Christensen 1995; Bowen *et al* 1989).

A third feature of the industry is the advent of the 'print-broker' another development which is adding to the dynamics of the identity crisis. The trades skills which are the hallmark of membership in the industry are called into question by the existence of the brokers. Do brokers help or hinder the industry? Are brokers part of the industry or an intrusion into the industry?

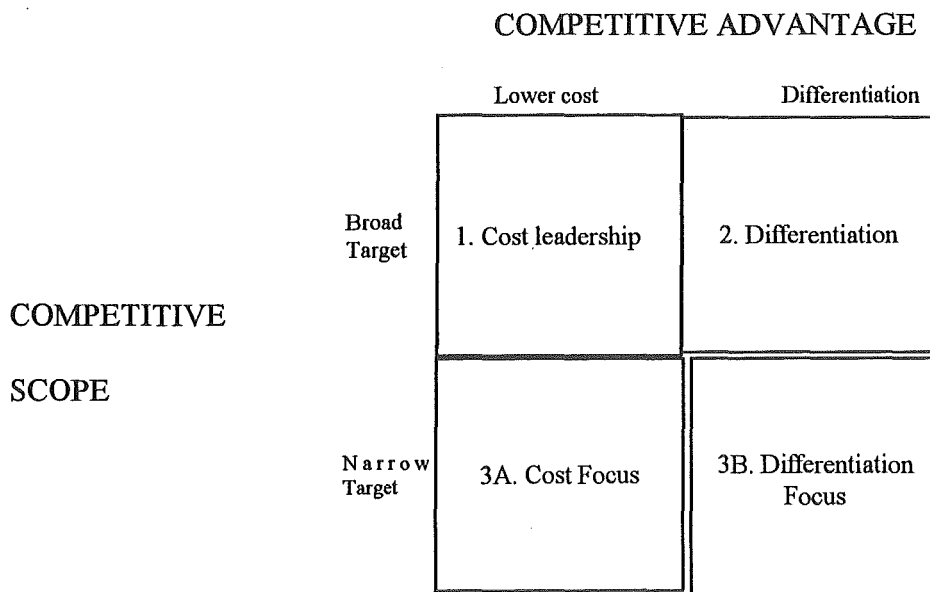
Without the burden of high capital investment, the print-broker is able to utilize the industry capacity; is this fair? The same negative attitude directed towards ‘cowboys’ is directed towards print-brokers. It appears to be that playing by the accepted ‘the rules of the game’ and having the technological plant are necessary for membership in the industry. Although these questions are not easily answered, it is clear that print-brokers have had the effect of changing the way business is done within the industry. An example of fragmented identities?

This industry is ‘*about to have a shake-up*’, according to one manager.

The industry is on the point of yet another major change (see chapter 4). The very large printing presses are now able to customize small runs. Specialist printers are moving towards ‘one stop printing’. The large number of backyard business-card printers are offset by the print-brokers who work hard to reduce prices. Increasingly sophisticated customers are also pressing for faster turn-around, they want more value for less money. Expert knowledge is being eroded as printing becomes the domain of anybody with a computer or a printer or a photocopier. The paradox is that digital technology has presented the industry with the opportunity to produce more, not less, printed material.

#### Generic strategies:

Figure 7.1 Porter’s generic strategies



*Competitive Strategy* M.E. Porter (1980:39)

The premise of *Competitive Strategy* is to give managers a check list of factors which may or may not impact on their strategies, whether it be for formulation or implementation. The multi-

faceted nature of all environments and the complexity of doing business in the 1980s is in part captured in this book. At the same time, simple solutions are prescribed with the promise of 'above average industry profits'. Porter (1980) presents a simple model of generic strategies which he claims equates with strategic advantage. The model is initially presented as the basic model for all businesses and all situations. In later chapters of the book, modifications and qualifiers are added.

Chapter 2 of *Competitive Strategy* is dedicated to the explanation of this model in relation to the five forces framework (chapter 3). And although Porter (1980) writes that businesses should concentrate on one of the strategies, the message throughout the chapter is that using more than one is also an option. He also writes that the reason to choose either the differentiation or the cost leadership strategy is to gain dominance within a industry. But again he hedges his bets by saying that it may be an either/or situation. However, when speaking of a mature industry his advice is definitive.

Maturity may force companies to confront, often for the first time, the need to choose among the three generic strategies described in chapter 2. It becomes a matter of survival. (1980:241)

His view that survival is at stake may be echoed in the current situation within the printing industries in Canterbury.

#### **Industry changes on the road to maturity:**

Porter (1980) argues that firms will do best in a mature industry by choosing one of the generic strategies. None of the firms in this study appear to have limited themselves to a specific strategy. They appear to take advantage of opportunities as they are presented, as one manager said, '*We don't lead the pack, we take our time to see what works. We don't have a strategy as such.*'

In a mature industry Porter (1980) writes that firms must attend to costs, customer service, and true marketing. He suggests that creativity should be curbed and more attention given to detail and pragmatism. In the discussion of the 'road to maturity', Porter lists a number of features of an industry during transition to maturity which need attention. His analysis covers both the firm and the industry level. Although he lists 9 areas of change, five have to do with financial data, and as most of the companies in this study are privately owned, no financial data was sought. Thus, I locate the data in four of his perceived industry changes on the road to maturity.

## **1. Selling to experienced buyers:**

### **EMPHASIS ON SERVICE**

Porter argues that, as buyers become more aware of 'the product', the focus shifts to making choices among brands. In this situation strategies for retaining old customers, and gaining new ones, must be built around differentiation.

In the printing industries the variety of printed products continues to grow. However, the expenses associated with purchasing the specialist equipment needed for this variety means that many printers continue to 'repackage' old products rather than investing in new equipment. The most recent form of repackaging is 'service'. The industry appears to be caught up in the shift to 'relationship marketing' (Gordon *et al* 1997; Gummesson 1997). In the past 'loyalty' was expected from clients regardless of the kind of service, but in the new environment of 'the market' manufacturers have become service providers. Service providers are expected to create and deliver personalized service (NZ Business 1997). Agents no longer take orders, today extensive customer service has become normal. As one manager said,

*Five years ago I had one salesman sitting in the office, now I have five consultants driving around the city all day.'*

Most of the printeries in this study were attempting to differentiate on 'service'.

*We have a marketing perspective. We don't just take one aspect, we try to do the whole lot. We are different from most printers, they tend to come from the production side, they will try and fit what the client wants to do with what machine is free.*

*We are ISO registered, you need to offer a service. The expectations of the clients keep changing and changing and you have to keep doing it smarter and faster. We are here to give good service. The clients know what they want but we know if it is possible, or where to get it. Service stretches the industry, but that is good. It is competitive out there, with 99 other printers, you have to keep up, but we keep our clients happy.*

Many of the businesses I visited had recently re-decorated their offices to incorporate 'welcoming' customer service areas. Colour co-ordination of wall, carpet, furniture were in evidence. Quality prints or original oil paintings competed for wall space with the awards from

the newly instituted industry competition, Pride in Print. These notes of distinction can be 'seen' as attempts to establish points of difference within the industry. And yet how many customers visit six different printers comparing the quality of the reception area?

Another reading of this practice is that carpeted reception areas are the new industry standard. This clean sophisticated 'image' might be an indicator of the industry shifting from the 'dirty, noisy, smelly, manufacturing' image of the old style printery toward the new 'clean, glamorous' image of the communications industry (Christensen 1995; McCracken 1981). The 'grungiest' reception area I visited was also the smallest printery. However, the firm had the exclusive account of the largest image conscious hotel in Christchurch. Other factors must be part of his strategy.

#### EMPHASIS ON COST:

Porter (1980:238) argues that outbreaks 'of price, service, and promotional warfare are common during transition to maturity'. Although the stories which I heard often contained complaints about price-cutting and the need to give better service, warfare as suggested by Porter might be too strong a description for the situation in Christchurch.

And yet the one manager in this group who didn't have time for an interview, only a 2 minute telephone call, is considered the 'price-cutter' within the industry.

*We bought a two person company with the intention to grow it. Today we have 40 employees. The strategies we have used from the beginning are very low administration costs. We are out of town so we have low overheads. I do all the paper work at home. That keeps the cost down, we offer the lowest price in general printing.*

*We offer short time, fast turn-over. That means we work on low margins and high volume. And we have more work every year, and there is less work out there.*

In the opinion of other industry players this manager is a 'cost cutter' to the detriment of the industry. *How can you quote 30% below what it costs, paper is the same price for everyone. Then you feel you have to quote at that price, but you can't keep it up.* Many of these comments were made by smaller companies which did not have the benefit of economies of scale.

The companies which the 'cost cutter' considered competitors pronounced him an innovator. The competitors he named were similar to his firm in terms of size, type of product, and also in their 'cowboy' style of trading. Some of the managers I spoke with were not printers by training but professional managers. They seemed to be more willing to make the changes in business practices required in a market economy (Easton 1997).

The values of the majority of managers included in this study may or may not reflect the values of all the managers in the industry. At the same time they do reflect the values of a minority of managers in this study. This plurality of attitudes may be an indicator of the shifting nature of mature industries or it may only be an indicator of the kinds of factors which are important to Canterbury printers. The difference in opinion might stem from both the professional training and the place of birth of the managers. Could it be that good competitors are only Canterbury-born Master Printers? Are strategic groups identifiable within this context?

## **2. Excess industry capacity:**

The printing industries are dependent on their machinery. The industry at present has a vast range of machinery for specialist and general tasks. However, as noted above, the shift in the last few years to digital equipment has changed the industry in yet another way. A common practice within the industry has been to recycle equipment. As the new equipment was brought into the country by larger firms, the older presses were bought by smaller companies which allowed the industry to gradually diversify and expand. Because the rate of technological improvement is faster, the gap between the old and new machinery is causing a bottleneck. The new machinery is old before it is paid for!

The main capability of the newer equipment for faster runs means more work is required to keep the presses running, and the presses need to keep running in order to pay the \$1,000,000+ cost. Now that larger companies are adding smaller runs to keep their equipment working, pressure is being felt in the middle tier of printing establishments, much the same as in the middle tier companies in the wine industry. This again raises the question of the 'location' of the printing industry within the evolutionary model; mature, decline or emerging?

Many of the managers in this study thought that the industry had an overcapacity for general printing caused by an excess of equipment which one manager labelled the 'bleeding edge' of technology. This overcapacity, along with under-demand as the market contracts due to the current recession (NZ *Business* 1997), limits both investment and profit.

*There are too many printers in New Zealand per head of population. They are everywhere.*

*We have overcapacity in industry. We have in the Auckland 3 of the latest Heidelberg 8 colour Speed Masters, and one in Wellington. Why does New Zealand have 4 of the biggest, fastest presses in the world, when there are only 3 or 4 in the whole of the US?*

*There should be more work around in Auckland with the ad agencies there, but there are too many printers, so it is overkill. They are all fighting neck and neck for the same work.*

*It was easier back in 1990, since then we have been losing profitability. We have all grown, and we have all computerised, so now we all work faster. The competition is fierce, the machines are better, the expectations are higher.*

At the same time overcapacity at the high-end of production should not obscure the fact of growing demand for small and customised products (Gordon *et al* 1997; Gummeson 1997). There appears to be a substantial market from schools, individuals and social or leisure groups for a steady stream of micro-services from the industry. These specialist services are not just points of difference, but often the competitive advantage for an enterprise. The large and small companies also use these specialist printers as sub-contractors. Thus for many printers the 'industry' is growing.

Is the industry moving toward maturity, mature, or emerging? This is another example of the impossibility of placing all firms in one category within the evolutionary life-cycle model. This colourful comment is indicative of the diversity of 'positions' within the industry.

*And there is a whole side of printing done on plastics. We [general printers with offset presses] look like a bunch of sandal-wearing, cabbage-eating hippies compared to the plastics. They not only manufacture in a substrate, they print 24 hours a day. It is really hardened manufacturing in the plastics plants.*

### 3. New products harder to come by:

Porter (1980) argues that as an industry moves towards maturity, new products are harder to



develop without extensive investment in new equipment. The extension of the boundaries of the industry appears to keep it from becoming 'mature'. Printers have extended their expertise from paper to a wide variety of possible media such as cartons, labels, clothing, and plastics. Printers have also extended the equipment to include the latest electronic 'printers' such as high-speed offset presses, high-speed colour photocopiers, and the latest fast run laser printers.

Digitalization is the force which is conflating a number of previously specialist branches of 'printing'. Within the industry the distinctions between the amateur and the professional, based on the sophistication of equipment and the acquired trade skills, is part of the conflation (Cockburn 1983). Relatively inexpensive photocopying equipment has enabled an additional layer of 'printing' firms to join the industry during the last 20 years. It is now accepted that a number of small and a few large firms 're-produce' as well as 'produce' printed copy.

A second example of fragmenting identities, or restructuring of the industry, is that photocopying companies are beginning to offer 'printing' services. A number of photocopy shops have become 'printers' by offering their customers the same kinds of services which were once the purview of the general printer. However, offering the service is not the same as providing the service. The wider range of services being offered by the re-producing enterprises, often places them in the same category as print-brokers. These companies are not required to own any of the high-capital printing equipment for their extended services. Their competitive advantage is the use of industry capacity rather than having to invest in costly equipment. At the same time a number of companies which began as 'photocopy shops' are expanding to become 'one-stop shops' with the addition of offset printing equipment (Christchurch Press 1997).

It could also be argued that the growing sophistication of available copiers has pushed the re-producer into production. Digitalisation has created photocopying capability of 'almost' print quality. The same technology which is used to produce what is considered by general printers to be high quality 'ink on paper' products is also used to re-produce high quality 're-productions'. This convergence of printing equipment is another factor driving the industry towards concentration.

*Our first business was a photocopier. Just the one. But in 1993 we needed to expand or get out, we expanded.*

*You are more and more having to become a one-stop shop. The days of being a straight printer are gone. We saw a significant gap between the*

*economies of colour copying and colour printing. We thought the way technology was going the gap would close and we could have a spectrum, we could have a spread.*

As noted most of the printers are currently using all three generic strategies. Choosing a segment such as large run photocopying was only the beginning for this printer.

*There are a number of ways of getting ink onto paper these days. You can't tell the difference, the photocopier is just as good as the offset. It is faster. We realised that the printing world was changing just like everything else. We started with the copiers, then took on the pre-press and now we have the offset presses, all under one roof.*

*This is so we can give our customers full service, one stop shopping. The businesses used to be in a number of buildings, but now they are all here. But it is getting harder to tell the difference between the photocopier and the printing press. A disk goes in both machines, only the variety, not the quality, is limited on the photocopier. That is why we are stating we are in the imaging business rather than the printing business. Our strategy is to make images with whatever equipment is most efficient.*

In a study of a mature industry, hardwood lumber in the US, Bush & Sinclair (1992) noted that most companies used a 'hybrid' of differentiation and cost leadership strategies. Some companies used all three of Porter's (1980) generic strategies, adding a niche where possible. Mintzberg (1988) presents a detailed critique of the three generic strategies which outlines many of the limitations of the concept. What is clear is that Porter's advice to use only one strategy for the sake of firm survival seems **not** to have been followed by the managers in this study. It is most likely that all strategies are necessary for industry survival, especially in a small society (Harfield 1997).

#### **4. International competition increases:**

As a product matures, technological standardisation is expected. The equipment required to maintain industry standards usually puts pressure on capital investment as firms attempt to create barriers to entry. Especially in small societies with limited domestic investment opportunities, international companies with their specific agenda start to look at opportunities within mature industries (Enderwick & Akoorie 1996).

In this study international investment was a feature of both public and private companies.

*But the next shakeup is coming. Most of the people here have not felt the change in the industry, but at all levels it has been affected. There is very little publishing done in NZ any more, it is all in Singapore or Malaysia. And even if there is publishing done, the printing goes offshore.*

*With all the digital gear, the big boys will be moving down the chain. It is easy to do small runs. To pay for those presses you need to run them full time, 24 hours a day, seven days a week. This is manufacturing, no matter what is said about communication or imaging, there are products that need to be produced. Customers want their products, junk mail, magazines or wedding invitations.*

*We can add all the extras to make it look good, but in the long run we are manufacturers. The investment needed came from offshore. The only way to grow a medium-size company is to purchase what is already out there.*

The largest player in town is part of a multi-national corporation. They use strategies based on what the 'home office' dictates, for within the larger company they are a very small piece of the pie, only 2% of the group.

*For an Australian company, New Zealand is just another state, another part of the market. Companies come to New Zealand because it is just another part of a world network, you might as well have 1% as no percent.*

*We have the high-volume, high-quality end of the market, but our other company just down the road has the high-volume, low-quality end of the market, it is much of a muchness. We are probably heading into saturation.*

*We have a wide-range of specialist equipment for finishing, catalogues, plastic wrap, stuffers. Added-value is a thing we have. Our strategies are to continue to find ways to keep the presses working, which keeps our margins up but our costs down. We know how much we spend and where we can gain or lose depending on what comes from head office. We have to remain flexible.*

Porter writes that

...in the mature competitive environment, there is less , less glamour, less excitement and the spirit of pioneering and uniqueness tend to fade. (1980:251).

Although the managers in this study represent a variety of industry sectors, many of them showed a pioneering spirit (Sinclair 1986). It may be that the pioneer spirit rests in the managers and is not a characteristic of an industry phase. If managers are pioneers they probably imbue that spirit in all their actions, in all their strategies which may be why it is impossible to accurately label an entire industry (Campbell-Hunt *et al* 1995). Stopford and Baden-fuller (1987) argue that 'how managers perceive the future opportunities' is the most important aspect of any industry, which means that the ideas about being able to define a 'mature' industry should be revisited.

All of the enterprises in this study appeared to use a combination of all three generic strategies, therefore, the firms must be 'stuck in the middle' (Cronshaw *et al* 1994; Porter 1980). However, using all three strategies might be the most appropriate 'position' for firms in a mature industry.

I have used Porter's (1980) advice to frame the managerial journeys in this mature industry. On the other hand, the stories might have been located within a schema suggested by Campbell-Hunt *et al* (1995). They have argued that leading firms base their competitive strategy on:

1. Product differentiation; 2. Flexible production ability; 3. Cost advantage; 4. Product range.

It is clear that 'leading firms' within the New Zealand context are using all of Porter's generic strategies simultaneously. The firms in this study also appear to be adapting to the continually changing trading conditions by using all three strategies as necessary. (For an interesting discussion on the complexity of 'mature' industries see McKiernan 1992) Although Porter (1980) advises against 'creativity' in the mature industry, Campbell-Hunt *et al* (1995) suggest that creativity is just what is needed for 'sustained adaptation'. The creative use of all of the generic strategies, as required, might be a good definition of 'sustained adaptation' (Campbell-Hunt *et al* 1995).

### **Tensions which bind:**

The chapters which report the industry findings are attempts to 'foreground' the journeys of the managers in a de-regulating economy. To adhere to the convention of thesis writing I have 'added' sections which read like the usual 'literature review' expected of academic writing. In this chapter, which is less 'modern' and more 'post' in its construction, some of the academic writings which have informed my view of managing in this de-regulating economy are presented. These short diversions into other literatures are included to indicate the kinds of literatures which inform, but are not part of, the explicit structuring of this thesis. The dominant discourse focus on firm strategies and industry structures pushes some ideas underground, yet these ideas are part of my sense-making journey. The desire for linkages and summations impinge on the possible 'freedom' of alternative structures.

### **From manufacturing industries to service Industries:**

Part of the discrepancy between the advice of Campbell-Hunt *et al* (1995) and that given by Porter (1980) on the use of generic strategies in mature industries might be that the nature of mature industries has changed between 1980 and 1995. The shrinking employment in the manufacturing sector (Harfield & Hamilton 1997b) is often accompanied by a rise within the service sector. In 1994 over 70% of the US GDP came from the service sector, at the same time Britain (Eltis & Murfin 1990), Canada, France, Italy all had in excess of 60% of their GDPs contributed by the services sector. In 1995, 58% of the world GNP came from the services sector (Bateson 1995). This is also the case in New Zealand; in 1997 the service sector was responsible for 67% of the GDP, a of 3.6% from the previous year (Statistics New Zealand).

Decline of the manufacturing sector was identified as early as 1880 in Britain (Cockburn 1983). However, as often as not, manufacturing moves to new locations, new technologies become the industry standard, new products are developed, government policies are reformulated, or new consumers found (Cooper 1996; FMFS 1994; Britten *et al* 1992; Cockburn 1983). Thus much of the history of manufacturing can be seen as adapting to the factors of decline suggest by Cameron *et al* (1988). With each change manufacturing has become more 'efficient'; needing less labour, less capital and less plant capacity to meet higher demand (Birks & Chatterjee 1997; LeHeron & Pawson 1996; Bateson 1995; Cockburn 1983; Harrigan 1980; Whetten 1980).

Manufacturing industries traditionally have been organized around specialist trades (Britten *et al* 1992; Cockburn 1983). One such example is the printing industry. The name of the first

industry organization in Christchurch, the Master Printers' Association, is indicative of this practice. The status of a company within the industry came from the 'hands on' knowledge of the owner (Arts 1989). Cockburn notes that

Looking back on their own history, printers today often describe themselves as having been men of status. 'Top-hatted gentlemen, weren't we.' 'You were a printer, you were a king'. (Cockburn 1983:31)

Cockburn (1983) writing about the labour process in the printing industries, argues that this legacy of the status is embedded in a decidedly masculine culture. An apprenticeship was not about acquiring printing skills, but for the purpose of passing through the 'masculine ritual of induction' into the all-male printing trade. Once in the trade the customs and rituals of 'masculine work practices' were a necessary part of social identity. Thus, printers were men with identities located within their 'trade', and status within the trade was imparted by the 'masculine' quality of the work, clearly one of manufacturing a product. Manufacturing was a 'male' occupation' which necessitated big and powerful machinery.

With the introduction of computer technology into the printing industry during the 1970s came a crisis of identity for the men within the industry. For instance, the skill required by compositors shifted them from the 'manly' practices of type-setting to the 'feminine' practices of 'typewriting'. Computers did not demand 'hard physical labour', thus, the images and the actions which made compositors 'men' were replaced with the images and practices of a feminised 'keyboard'. As one 'bloke' remarked, 'they are paying me to sit on my backside' (Cockburn 1983). Sitting on his 'backside' was a far cry from the ideal of 'man the producer' based on a technical knowledge and a physically fit body.

The opposite of 'man the producer' is 'woman the server', with little choice in between. Along with the behaviour and identity of being a provider of services, is the allocation of low status, especially for women (Boje & Rosile 1994; Marshall 1984; Cockburn 1983). Thus, service is not expected of 'high status skilled tradesmen' but of 'low status service providers'. How then do 'men of high status' based on 'trade skills' shift their identities and behaviours to perceived low status behaviours based on 'service'? Some with ease, they hire women to 'do the job'; four of the six marketing managers in this study are women. A second strategy which has been implemented is to become an 'expert' in service. This 'expert' status is a way of distancing the 'occupation' from the status; management gurus expound on the benefits of 'service'. A third strategy is the creation a 'new' masculine 'indoctrination' which is located in the discourse of 'the market' which might account for the 'commercialization' of the country.

### **The discourse of service:**

Easton *et al* (1993) and Whittington (1993) argue that here are distinctive perspectives which arise from distinctive academic disciplines. As noted in the previous chapter Porter appears to be 'interdisciplinary' as he makes use of both marketing and economics discourse. This may be his appeal to technocrats and politicians alike. However, the centrality of the economists view of 'competition' which dominates the strategic management literature and the government publications appears at odds with the managers' values and practices which are more clearly located in a discourse of competition\cooperation.

A secondary discourse of the market economy arises from the marketing literature. For example Porter's view that 'service' is a major component of competitive advantage. The discourse of service appears to be permeating all areas of New Zealand society, but especially business. In the discussion of strategy in this study the managerial discourse was constantly centred on 'service'.

However, service has a multiplicity of locations; as a firm differentiation strategy, as an industry standard, and as an example of the effects of globalization. The liberalisation of the New Zealand economy has helped to move the focus on to the demand side of the economic equation (Bollard 1992). The market, and the attendant focus on service, has become a much more important part of manufacturing and managing in the 1990s (Bowen *et al* 1989). LeHeron & Pawson write that

Having to confront sophisticated overseas competitors has forced local producers to appreciate more fully the role of some services in adding value to agricultural, manufacturing as well as to service-sector products. In many markets, it is the services end of the production-consumption chain (design, styling, research, marketing, delivery, packaging, after sales back-up, consumer credit) which determines the competitiveness of a company's products. (LeHeron & Pawson 1996:181-82)

The changing discourse which makes service of products, and products of services, requires a new view of production and a change in both managerial outlook and firm behaviour (Gummeson 1997; Knights & Morgan 1993; McCracken 1981).

The major shift that has been required of manufacturing industries has been to take into account the 'end user'. A 'service nation' needs to change the identity of the population from 'citizen' to 'customer' (Firat *et al* 1995). Status within an industry is now based not on a specialised 'trade skill', but on the generic skill of 'providing service'.

A new perception of the consumer as being powerful and all important for business replaced earlier practices that focused more narrowly on the technological development of production, the logistics of transport and distribution, the characteristics of the product, or aggressive salesmanship. (Christensen 1995:654)

Marketing has supplanted manufacturing as the high status discourse 'provider'.

**A postmodern fragment:**

Thus, all businesses but especially small businesses which do not have a highly structured functional organization, are being 'pushed' or 'pulled' to focus on customers. Professor Vandermerwe (1990) in an article entitled 'The Market Power is in the Service: Because the Value is in the Results', outlines a number of ways to add-value to products all of which are predicated upon a knowledge of the marketing literature and especially the consumer behaviour literature. However, by 1997 what used to be considered 'expert' knowledge has become 'common' knowledge. Marketing knowledge is being disseminated more easily and through a variety of media (*Success* on television; *Management*; *NZ Business*; *Christchurch Press*). Although managers of small businesses can, if they choose, hire a 'marketing consultant', it is not the only option. The ever growing number of business magazines 'give expert advice' on all aspects of marketing. The printing industry newsletters have regular features on marketing and consumers and the annual meeting which used to be a 'social event' this year consisted of a series of management seminars, including one on marketing.

In all of these ways the discourse of 'consumers and customers' is becoming practice (Foucault 1980). However, in a postmodern age there is a postmodern consumer. Whatever is a postmodern consumer? Actually the producer! As the 'world' moves into the postmodern era, led by the wonders of technology and the effects of marketing, the consumer is beginning to take the options and choices to the limit (Boje *et al* 1995). The boundaries are shifting in such a way that

... we are witnessing the eclipse of the citizen, bounded by rationality, nationality, responsible and seeking rights and legal remedies, and the rise in its place of the consumer--boundaryless, mercurial, hedonistic, whimsical, simulation-loving and experience-seeking. The substitution of the citizen by the consumer ...

At the same time, the technologies which facilitate 'mass customization' also allow the consumer to become the producer. For example, home movies are now an expected 'programme' on every tv channel. The 'passive' consumer who could be manipulated into



‘making choices based on needs’ has the potential to demand not just the product, but also the means of production. As noted above the general dissemination of marketing ‘expertise’ shifts the roles and the goals of the marketing players.

In postmodern marketing, the consumer is not a target, not even a moving target, but an active link in the continual production and reproduction of images and symbolic meaning. (Firat *et al* 1995:??)

The question marks in the line above are a good example of the transformation of the consumer into a producer. I was able to read an article by Firat *et al* (1995) using the digital technology in the University library. The library only obtains the *European Journal of Marketing* in digital form. However, after reading the article I decided I wanted ‘a copy’ and with a swipe of my student card to transfer the necessary funds, and the push of three buttons, out came 15 laser printed pages. I am a publisher, I have my own simulation.

But the journal title, and page numbers on which the article originally appeared, are not part of my ‘personal version’ of the article, thus the ???s where a page number should be. If hundreds and thousands of students around the world are able to be their own publishers, what will happen to the convention of citing academic references? The boundaries are shifting and the printing industries are changing, and I am part of that process. Where does marketing begin and printing end?

Who is the ‘service provider’ and who is the ‘producer’?

#### **Endnotes:**

The problem of hard boundaries is most evident in this industry. Industry survival is part of the story, but what industry? Are industries going to continue to be identified by their ‘products’ or is function all that matters in a consumer society? ‘new lamps for old’?

As the every day language of New Zealanders has been transformed into the discourse of the market, the commercialization of all forms of interaction becomes normalised. Where does that leave business? The distinction between public and private domains begin to blur, producer and consumer become one. In a digitalized world printers are fragmented identities.

Shifting identities are just one example of the need for sustained adaptation. But where does that leave strategy? I guess that strategy, meaning to take over territory, will always be with us, but the need to work together for industry survival will also continue to a major part of the strategic journey of business in a small society, at least into the foreseeable future.

**To begin at the beginning...**

Where did this journey begin? My grandmother? My father? My nine-year old self? Jenny's comment? Nancy's comment? Or Martin's questioning of my behaviour? All of these people must have had a part in my journey for when I ask the question where did this journey begin, they all appear on the page. My grandmother went to university in the first decade of this century, at a time when few women did. I remember being nine and telling people that I was going to university. However, my father, by word and deed, made it clear that university was a waste of time, after all in 1931 doctors and lawyers were 'out of work'. Many years later Jenny and Nancy advised me to attend university when I was busy being a 'wife and mother'. But their words suggested 'a new career' to me years later when those 'jobs' had come to an end.

And Martin? Martin was angry at me for 'not doing my job'. He was clear about what I was supposed to do, but it was very different from what I thought I was supposed to do. What was in 'his head' was a very different picture from one that was 'in my head'.

At the time I thought 'what a great topic for a thesis; how people 'create' their jobs 'in their head''. He thought that I was evading the issue at hand, but it still seems to me to be an intriguing question.

Anne Sigmund Huff (1990) edited a book about 'how people create their jobs in their heads'. And indeed this thesis started off as a cognitive mapping exercise. And it might still be considered a cognitive mapping exercise, but about my 'head' and this particular 'job'. In Chapter 1, I have set out some of the paths along the way and how the journey has ended up as this particular map. One which is creating an alternative form and structure for alternative contents for the competitive strategy literature.

**Who's on first?**

The managers with whom I spoke, as far as I know, would not call themselves postmodern. They did not frame their experiences into postmodern categories. I have located their stories within a postmodern text without their permission. But somehow the implicit exchange of 'their story' for 'my version of their story' seems 'real'. As noted in the Preface, most

managers gave willingly of their time and knowledge in a most generous and gracious fashion. However, they seemed little interested in conveying any response to the academic articles which I constructed from the research material (Harfield 1997; Harfield & Hamilton 1997a; Harfield & Hamilton 1997b). Only one manager commented; positively.

Because all the managers were aware that the interview material was being collected for both an industry report (see appendices B,F,I) and as research material to be used in an academic thesis, I have taken this lack of response as 'permission' to use the material as I will. My sense (which has not been verified with any one of the managers with whom I spoke) is that I have been given 'their stories' to 'make public'. My reasoning is thus: if it was important for busy managers to take time to 'tell' me their stories, then it is just as important for me to 'take the time' to pass these strategic journeys on in a 'public' forum (Tonkin 1992; Spender 1989). This assumption is based on past experience with interview data and reading the research reports of other scholars. Marshall (1995) writes that she was specifically given the role of 'public' story teller. Kvale (1996) picks up this point in his description of the roles expected of the postmodern researcher.

These ethical, methodological issues are part of the larger postmodern concern for the production of knowledge. One of the main concerns is the questioning of a hierarchy of knowledge. Positivism, the philosophy and practice found in much of the academic literature, assumes that the expert has more authority than the novice and that the researcher has a wider range of skills in theorizing or abstraction than people who may experience any phenomena (Brown & Canter 1985). The domination and oppression which is evident in such a system is called into question by many postmodern scholars. Questions of legitimation and power related to knowledge and its production form a major discourse within the postmodern literature (eg. Chia 1997; Clegg *et al* 1996; Knights 1992; Smircich & Calas 1991).

Much of the literature focuses on the idea of 'voice', that is the multiplicity of knowers who are equally 'qualified' to 'produce knowledge'. My own decision to foreground the 'voices' of the individual managers has caused me endless hours of confusion in the production of this document. My dilemmas have been 'voiced' throughout this thesis. The 'implied contract' to 'pass on the managerial knowledge' has been the rationale for my persistence. But, I still feel that the managers' experiences have been backgrounded as my experience of writing the thesis has moved to the front. At the same time, I keep telling myself that 'there are many tellings' of any tale and much depends on the audience (Tonkin 1992; Fiske 1990; Van Maanen 1988).

What I was not prepared for was the 'push' from the individual scholars who have assessed

the New Zealand experiment (Chapter 4). I felt that I had to 'honour' the multiplicity of positions. I think that my inability to 'blend' the different versions into one 'meta-narrative' is in keeping with my intention to present the plurality of 'voices' of those who have 'lived' the experience. This is another good example of the fragmented identities locked in specific discourses which are evident throughout this study.

### **What's on second?**

'Re-presentation' is problematic for my own writing and sense-making, not least because scholars with differing agenda imbue the words with different meanings (Clegg *et al* 1996).

Discussions of representation often centred around the concept of 'subjects'. Postmodern writers who accept that knowledge is a social construction, and that social science knowledge is a particular kind of construction are concerned with the concepts of 'people'. There are a number of interesting discussions at present about 'people' often labelled 'subjects'. Subjects are those people who are the non-researchers in a social science study, and subjects are real or not depending on the ontological positioning of the researcher. 'Subjects' can be used as a word which aggregates all the managers in this study, but if that is so, then it is clear that it is a shorthand word and not a representation of 'reality'. In my writing I am not attempting to convince scholars from different backgrounds that their positions are untenable. I am attempting to describe an exploration of knowledge production from a processual viewpoint and as I have already written, I assume the stories in this document may create some illumination.

I am only attempting to convey of the stories I heard. Thus I have 'created' subjects for this thesis. I use the collective 'managers' not as a way of negating individuality or selfhood, or even an acknowledged 'body of knowledge', but as a literary device which enables me to create a world called 'New Zealand' during an era of 'deregulation' and inhabited by people called 'managers'. Managers is used as a general descriptive word to facilitate ease of writing and I do not claim any relationship between my construction and the men and women who spoke with me during the course of this study. I am forced, like others who insist on writing about their research journeys, to use language in the vain hope that some essence of the process lives on.

Neither am I claiming to attribute 'meaning' to the 'subjects' in this study. I am aware of my own need to be the 'creator' of this document, and I strive to express my concerns as I travel along the way. This is a form of 'critical subjectivity' which allows me to construct 'my'

subjects. I am attempting to create the managers as part of my story of my journey. It seems to me that much of the discussion around representation, subjectivity and subjects is directed at those who are unaware of their own process of 'invention', something which is required in any form of communication (Hutchins (1995). This document is littered with my reflections concerning notions of author-ity as I shifted locations within this inquiry. It may be that I am brave as Smirich (1995) says, or that I am too innocent to understand the dangers.

My invention is not an invention of 'reality' but an invention which is ultimately a literary document. This document may or may not be 'representative' of the events in the real world, but it is representative of my experiences and sense-making of events in the real world. More of these matters are found in Chapters 1 and 2. My own acceptance of the location of experience in the written word has been informed by the words of Jacques Derrida and Michael Foucault and those management\organization writers who have interpreted their views, such as Chia, Smirich, Calas, Knights, Morgan, Hardy, Clegg, Boje, Cooper, and Burrell.

Again as my entry into academia has coincided with the proliferation of postmodern speculation, my own comfort with acknowledgement of re-presentations does not fit in with the views held by Denzin & Lincoln (1994) that there is a crisis of representation. I do not have to discard 'old' views of the world; this is the only view I know. This may be a novel approach to some, but for me it seems 'natural', which I interpret as evidence for the idea that knowledge is a 'social construction'.

### **Why was it important to do THIS research?**

Kvale (1996) says that research that is undertaken by a 'traveler' is best 'judged' by its usefulness. The relevance of management research, and specifically strategic management research, is a recurring theme (Gopinath & Hoffman 1995; Bettis 1991; Huff & Reger 1987). The usual argument is that strategic management is an *applied* (discipline, field, science) and thus *should* have more relevance to managers. The 'conversation' will continue, but for this document I think that the question as framed by Reason and Marshall is more 'relevant'.

All good research is *for me, for us* and *for them*: it speaks to three audiences, and contributes to each of these three areas of knowing. (Reason & Marshall 1987:112)

The three *fors* can be transposed to the three journeys which have carried the 'ideas' in this thesis.

**For them; an academic journey:**

The *for them* is the 'community of inquirers' who might find these stories interesting as an extension of the field of strategic management.

It seems to me that the competitive strategy discourse is becoming embedded in the practices of New Zealand business. It is no longer a question of whether or not concepts developed for corporations in the US are relevant to a society where the majority of businesses are 'small'. The concepts of strategic management, no matter how flawed, have become part of the language of business practice. As 'managerialism' and 'corporatism' become the 'common way of organising' in New Zealand, the strategic discourse has become the 'common discourse'. As Whittington (1993) says it can't be ignored.

However, much of the strategic management research which originates in the US is grounded in the basic assumptions of large populations and growth located within a legalistic model of organizing. New Zealand has neither a large population or a tradition of legalism. Therefore I assumed that to gain some insight into strategic management in New Zealand new sources of information had to be obtained. I believe that the best source is the original source; thus my choice of methodology. Conversing with working managers seemed to be the only option.

Asking rather than telling managers about competitive strategy seems to have surfaced two problems with the general theories within the literature. Firstly, the problems of identification of an industry within the life-cycle model. It may be that the 'chaos' of de-regulation negates any model which is predicated upon an ideal of development with its inherent assumption of biological imperative and predictability. However, it appears that labelling an industry remains an academic rather than a practical exercise and strategies predicated upon industry phases must remain suspect.

Secondly the managers were also clear that their values and practices of entrepreneurship are inextricably linked to collective action. This view of competition\cooperation suggests that the foundations of strategic management be reassessed as a general application. The New Zealand experience may have to do with the smallness of the population and the remoteness of the location. It is hard to 'expose' the psyche of a nation, but it is not difficult to speculate that geography plays a greater part in creating the New Zealand consciousness than it does for countries of great land-mass with less ocean-mass. Surely, local conditions make for local 'readings' of general theories.

My desire to bring a new methodology to strategic management research has focused on an

application of postmodern concerns. Although I have a 'postmodern' perspective of knowledge production, the interviewing and archival research was conducted with a 'modernist' perspective of what counts as research. Research which compares and contrasts industries within a specified framework through a process of systematic data collection and analysis presented in an orderly and formulaic report of the 'findings'. However in 'writing up' I have been fortunate in having the freedom to move beyond the 'expected modernist' structure, form and content to produce a 'postmodern original' of an emerging inquiry in the strategic management field.

Methodology is a second area in which this research is for a community of inquirers. My application of three postmodern concerns: discourse, fragmented identities and research as resistance is clearly visible in the production of this document. In allowing the stories of industry structures to 'emerge', fragmented identities were evident. This finding was gratifying as evidence of the 'plurality' which is celebrated as part of the postmodern tradition and is also located in the fragmented nature of this thesis. In writing this document I decided that each industry story would privilege one aspect of common threads which I perceived in all of the industries. This is in keeping with my intention to move beyond the expectation of a 'mono-theory' found in many strategic management theses.

Fragments and indeterminacy and research as resistance. By allowing the inquiry to surface its own form and structure, I feel that I have 'applied' my postmodern lens to some purpose. The challenge of creating a legitimate 'academic' document at the same time as moving beyond the formulaic nature of thesis structures has been a tiring but exhilarating experience. Many large and small acts of resistance can be spotted by the curious explorer. The most obvious is my reading of Porter as 'postmodern' which is presented in the form of an interview in Chapter 6. Each act of resistance began with a struggle to surface my own base assumptions about 'what counts' in the production of knowledge. Fragments and indeterminacy are located in my active use of a variety of discourses as a way of extending strategic management inquiry.

The positive response already received from the 'academic journals' might be an indication that my journey has found some acceptance within the field.

#### **For us; a managerial journey:**

The *for us* are those close to the topic, in this case the managers in New Zealand who are journeying through the turmoil of de-regulation and globalization.

Bettis and Hitt (1995) in writing about technology describe some of the changes which have

taken place in relation to strategic management ideas which they call the 'new competitive landscape'. This is also a good description of the New Zealand experiment in which the change to a market economy has had dramatic effects on political, social and economic practices over the last decade. This study has focused on the changes in business practices relating to strategy and has indeed discovered a 'new competitive landscape'.

The landscape is definitely new in regards to the dominant wisdom concerning competition. It appears that, at least for industry survival, enterprises in a small society have values and practices which are contrary to the view that competition leading to the winner taking all is always the best practice for an economy. In all the industries studied, competition\cooperation was a dominant feature. The use of industry capacity to keep the industry viable was the stated practice of large and small companies. Based on this finding, the question of actions based purely on 'self interest' must be re-evaluated within the strategic management context. Although managers in all industries talked about cooperation\competition as a necessary aspect of managing in a deregulating economy it was most evident in the wine industry as outlined in Chapter 3.

The obvious conclusion that strategy was a journey not a destination was most apparent as the footwear manufacturers retreated from volume as detailed in Chapter 5. The factors of implementing or even developing a strategy are contingent upon such a vast array of internal and external factors that as Fahey and Christensen (19986) rightly argue, there is a excess of research on variables but no agreement as to which is the most important at any given time. In a re-regulating economy the rate of change is no less important than the extent. This makes a destination virtually impossible; the destination is always moving. Thus, the managers in this study focused on strategies to continue their journeys rather than strategies to gain profits 'above the industry average'.

Keeping the strategic journey going by 'sustained adaptation' seemed the intention of most of the managers I spoke with, but especially the printers. The stories in Chapter 7 are just a few of the managerial tales which outline the flexibility required in the new competitive landscape. These New Zealand managers are focusing on the advent of new technology within their industry and finding that the tension between long-term investment and the advances in new technology make survival in a traditional manufacturing industry tenuous. But for all the managers in this study, manufacturing is no longer just a matter of changing equipment, it has also become a matter of adapting to the push and pull from the global economy. Thus, journeys into the world by New Zealand enterprises require continual adaptation of the competitive\cooperative practices which insure industry survival.



These findings have arisen from the discussions with managers. I assume that both the process of the research and my assessment of the situation are of use to them. A few managers said that our conversation had given them 'things to think about' and the industry reports have also elicited letters of appreciation. I assume that the tales of the journeys through the 'new competitive landscape' will continue to be useful to the managers in this project and others beyond my personal experience. This is my attempt at strategic management 'relevance'.

*For us* might also include three other groups; students, management educators and policy-makers both inside and outside of government.

One of the problems of an emergent methodology is that things keep emerging. As I continued to perceive the data through a postmodern lens, it became clear that the changes in economic, political and social practices in New Zealand have become embedded in a strategic management discourse. This was especially so as I was writing Chapter 4 during the early part of October 1997. The assessments of the New Zealand experiment are all located within the discourse of strategy. This discovery suggested a whole new thesis, but I resisted exploring this finding in greater depth and have limited myself to a few comments.

Although my research was not designed to explore the transformation of the dominant discourse of New Zealand, it could be said that it is implicit in this cultural artifact. I would suggest that within the dominant discourse of strategic management the role and importance of competition appears to be overstated; by academics, government technocrats and management gurus. As indicated in Chapter 3, my findings are more in line with the persistent minority who attempt to broaden the conversation to include cooperation.

The research finding that competition\cooperation is practised and valued by the managers is a dissonance within the dominant discourse. However, I would argue that the cooperative\competitive nature of the managerial journeys has to be taken into account in both teaching and policy-making. I think that students who will be working in New Zealand should be presented with a local perspective of strategic management practices. It may be that in many other places competition\cooperation rather than competition is also valued as part of a local culture. Because these ideas are the exception rather than the rule in the literature, I think it is imperative to 'teach our children well'.

And finally if what is happening locally is very different from the practices espoused in the classical strategic management tradition, then the government policy-makers should also be

aware of the differences. Thus the gap between what is practised and what is preached should be of concern to government not just scholars. The differences are not 'omissions', as suggested by the Porter Report, but 'the way we do business'. I would argue that managerial practice has as much value in policy-making as the competitive strategy prescriptions for 'success'. Thus local views of 'strategic management' are 'added-value' for educators, students, and policy-makers.

### **For me; a researcher's journey:**

The *for me* is my excitement and growth which the research has engendered. Much of that journey is recorded in this document. The research has been useful for my own intellectual journey, and most importantly as the compass and rudder for this thesis. In the longer-term the usefulness will be made manifest in my teaching and future research.

Some might argue that the gap identified between the place of competition in the dominant strategy discourse and the competitive/cooperative practices of the managers in this study is the distinctive contribution of this thesis.

It seems to me that local research is ever more necessary, especially as globalization marches on.

### **THIS SECTION IS STILL UNDER CONSTRUCTION**

This research document is an attempt to make explicit the process of inquiry. One of the never-ending problems of interpretative research is the 'excess' of data which crowds in on the researcher as the final deadline looms (Marshall 1997; Kvale 1996; Rubin & Rubin 1996; Tonkin 1992; Turner 1988).

On page 33 I wrote

This thesis is a description of an engagement which attempts to extend the theoretical, methodological and philosophical conventions which have become entrenched within the strategic management literature. The purpose of the research is to use a postmodern sensibility to describe historical events gleaned from first-person accounts in an attempt to present 'insider views' of managing in a de-regulating economy in a globalizing world. The research is located within the New Zealand experiment of economic, political, and social change during the 1980s and 90s.

But you might have noticed that not much has been written so far about 'a globalizing world'.

Other issues have seemed to be more important during the construction of the thesis and I

kept putting globalization 'a little further back'. Well this is about as far back as there is. As I don't want to change the beginning of the document. At the same time I decided to leave the beginnings of a 'globalization' section in the thesis. Retaining this section which is 'pulled before its time' I see as part of my research strategy of 'sustained adaptation'.

### **We are not alone, or are we?**

Globalization and internationalisation (Clegg & Gray 1995) are the two words which are most prevalent in the New Zealand government drive to change the economy during the 1990s (NZBRT 1992; Bollard 1992; Crocombe *et al* 1991). It is interesting to note however, that 'free-trade' is not often used by either government or business as a description of the agenda.

Free-trade has been on the agenda of the leading industrial nations for the last 200 years, but its latest incarnation is related to the changes following WWII. Developed countries attempted to create a new system of trade by <sup>negotiating</sup> ~~negating~~ a series of international agreements. The organisational location of that intention is GATT (the General Agreement on Tariffs and Trade). The agreement has over one hundred signatories who adhere to the international trade agreements which are enshrined in the variety of treaties. The Uruguay Round, which was concluded in 1995, is noted for its changes to laws of intellectual property rights, agricultural protection, and financial restrictions (Birks & Chatterjee 1997; Enderwick & Akoorie 1996).

These changes were in line with the rhetoric, if not the practice, of much of the western industrialised economy during the 1980s. New Zealand appears to have been at the forefront of the changes to accommodate a free-trade system (Ostry 1997; Hearn 1996; Mueller 1994; Yip 1989; Blyth 1987).

The experiences of New Zealand business and institutions which have become involved in the creation of global trade fall into two categories. Firstly, there has been a continued increase in the international ownership of 'New Zealand' companies (Fox 1995). For example, the sale of former government assets has resulted in an influx of overseas investors; the rail system, the telecommunications system, and most of the forests which have been were sold to overseas interests. The financial reforms have brought foreign investment into the banking sector, <sup>with</sup> all but one small regional bank is now <sup>being</sup> under foreign ownership (Easton 1997; LeHeron & Pawson 1996; Kelsey 1995)

The second area in which government supports globalization is by direct and indirect aid to

individual firms or industries entering export markets. During the 1980s there were export programmes to help manufactures enter overseas markets. The IDPs were indirect aid for 'potential' export driven industries (Enderwick & Akoorie 1996). Today Tradenz has seed money and expertise available for investigating foreign markets. These initiatives are part of the larger corporate and government agenda which sees New Zealand in the heart of the free-trade system (Kelsey 1995; Bollard 1992).

The New Zealand Experiment has subjected traditional productive sectors to dramatic and rapid change which Kelsey (1995) calls 'a scorched earth approach'. This approach is directed towards firms and industries 'where only the most internationally competitive would survive'. But as Kelsey and others have noted the practice of free-trade by New Zealand has not been met with reciprocity by our major trading partners Australia, US, Japan, and the European Union (Bollard 1987; Wooding 1987).

The questions remains, what happens to the structure of domestic industries if the economic 'playing fields' are littered with imports? If the capital investment comes and goes as the dollar rises and falls, are strategies of any use? Are there national boundaries relevant in a postmodern world?

#### **I don't know is on third:**

I have attempted to describe three types of journeys; managerial journeys, researcher journeys and academic journeys. The journeys are located in a series of interacting- intersecting tales in which questions have been posed more often than questions have been answered. This sense-making narrative is offered as an alternative form and structure to the traditional strategic management style in an attempt to bring a postmodern sensibility into strategy research. The strategic journeys of managers, managing in an era of re-regulation, have been located within the competitive strategy journey of a number of academics, but specifically Michael E Porter. My journey as a researcher has linked the two other journeys, not in any kind of conceptual synthesis, but as a lens through which a glimpse at fragments of the map of the other two journeys might be gained. This 'glimpse' is meant to extend the knowledge of the strategic management field.

Denzin & Lincoln (1994) write that we are in the fifth moment of qualitative research. The fifth moment refers to the kinds of questions which are shaping interpretative research. I have located myself within this moment, not because my research was locked in a crisis of representation or legitimation, but because I found these issues 'normal'. They did not present

a crisis but a 'natural way' of doing research (Guba & Lincoln 1985). It may be that time is moving so fast that by the time the ideas about the fifth moment were published they had become a description of 'reality' rather than a prediction of the future. My response to their view of 'reality' obviously has to do with my location within that reality.

My original academic training was as an historian. 'I know what I know' because

Historians can and do inform their writings with frameworks and concepts drawn from each of the social sciences, and from a wide range of social, philosophical and ideological perspectives. And whereas the sociologist, economist, psychologist or anthropologist are each restricted to the concepts and conventions of their own social science disciplines, the historian has a unique freedom to cut across established social science disciplines and inform his or her narrative with a combination of insights and concepts they have to offer. (Hendry 1992: 213)

It may be that all historians are *bricoleur*. Apparently this is in marked contrast to the limiting methodologies, concepts and conventions of other social sciences, many of which have found their way into strategic management (Schendel 1994). If this is the case, then this thesis is an example of the kinds of 'cultural artifacts' historians are capable of producing, nay are expected to produce! Maybe as Hendry suggests it is time for more historians to research business strategy.

Well, I for one have taken his advice.

What do you think?

**Andrew:**

And for those who must have closure, Andrew Feldmar is a psychologist who lives and works in Vancouver, British Columbia.

## Appendix A

### Information Sheet For Footwear Industry Study

Name of Company

Founding Date of Company

Public/Private

Proprietorship/Business unit

Board of Directors

Number of employees

-manufacturing main business

-manufacturing % of main business

Strategies used from 1980

Strategies used from 1986

Strategies used from 1990

Competitors

Importer/exporter

Future firm strategies

Is there a future for the firm?

Is there a future for the industry?

Advice for the industry?

What are the main issues confronting the industry today?

What do you know about declining industries?

Have you heard of Michael Porter?

Have you any comments on this model of managing in a deregulating economy?

stable

survivor

sharp bending

sustained adaptation

**THE NEW ZEALAND  
FOOTWEAR  
MANUFACTURING  
INDUSTRY**

PREPARED BY

**TOBY HARFIELD**  
Department of Management  
University of Canterbury



## **ACKNOWLEDGEMENTS**

This is a brief report prepared for the Footwear Manufacturers' Federation and for those who participated in my study into the footwear industry.

Firstly, my thanks to all the participants in the study. A report of this kind is only made possible through your willingness to share your experiences and give of your valuable time. I would also like to thank the Executive of the Federation, especially John Clark, for supporting me in my research efforts, and Rex Baynes for his help in operationalising this project.

## **RESEARCH BACKGROUND**

The main aim of my research is to obtain a vision of the future of the New Zealand footwear manufacturing industry from the perspective of those inside the industry.

Rex Baynes supplied me with a Federation membership list, but I was unable to speak to all members because of financial constraints. I chose to focus on a particular sub-group within the industry, those who manufacture mens/womens/fashion/casual leather shoes. Although not all members in this category were involved, I was able to interview managers from twenty-two manufacturing firms.

I was also privileged to attend the New Zealand Footwear Industry Conference at Wairakei in August 1995, and had informal discussions with suppliers and retailers at that time.

The following report is based on my own interpretation of the conversations that I have had with managers, what I heard at the Conference, and theories which are generated within the Management literature.

The views expressed in this report are those of an acknowledged industry outsider, and are constructed from information collected from only one section of the industry. As no two companies were exactly alike and not every enterprise in the industry was visited, in this report I present my general impressions rather than make specific recommendations in hopes that the information is useful to individual managers.

## **AUCKLAND INITIATIVES**

I visited Ian Robertson at the Auckland Manufacturers Association in late October 1995. He gave me a list of initiatives which was the outcome of deliberations of the Auckland Group.

These initiatives include:

- To gain a presence at retail
- To ensure consumers know the benefits of buying NZ made
- To identify profitable market segments
- To establish brands that are relevant to the NZ consumer

Upon reading this report you will note the similarity between my impressions of what was important to managers in my study, and the initiatives of the Auckland Group.

## **FOOTWEAR MANUFACTURING IN 1995**

The reduced tariffs has changed, not just which firms are in the industry, but what, where, and how individual firms manufacture footwear. Questions of where to locate manufacturing plants, what kinds of manufacturing processes to use, and what products to make, are constant questions. The skills to juggle long-term strategies and short-term expediency are needed more than ever within a market driven by the global economy.

Management theory suggests that the structure of an industry is usually formed by an innovator entering the industry at just the right moment. The Warehouse seems to be that innovator by making the most of a wide range

of deregulated industries (from transport to financial). The Warehouse has been at the forefront of transforming the retail sector. Shopping hours, customer paying methods, advertising, distribution, warehousing, inventory control, and pricing are just some of the areas that have been affected by The Warehouse practices.

These new retailing practices have put pressure for change on the structure of many New Zealand industries. The footwear manufacturing industry has been directly affected by these new practices as The Warehouse now sells 30% of New Zealand footwear.

We were told at the 1995 Conference that at present 80% of shoes sold in New Zealand are imported. The main effect of the influx of imports has been to drive down prices in the whole industry. Demand for low price shoes is being met by cheaper imports, and this trend will persist as the tariffs continue to decrease.

## **FLEXIBILITY**

Both retail practices and the impact of imported footwear need constant re-assessment.

The managers that I spoke with agreed that flexibility was the main survival strategy for both individual companies and the industry as a whole. This is in part because the pace of change makes it impossible for any one manufacturer to be aware of all the shifts in the environment. My overall impression is that managers in the 1990s need to constantly re-assess the environment and their business strategies. Managers and companies also need to be willing to take dramatic actions to change directions.

Those I spoke with suggested that change is now the 'normal' state for business. This constant state of change means that managers must be more capable of 'reading' the environment than they were in the past. Managers are having to expand their personal capabilities and obtain new skills which are required for constant innovation, especially in the areas of marketing and production efficiency.

## **COMPANY AND INDUSTRY SIZE**

The manufacturing side of the industry has had to contract dramatically as the volume of imports has increased. In the mens/womens/casual/fashion sector most manufacturers have moved 'upmarket' as the cheaper imports fill the lowest end of the market. A number of manufacturers have suggested that this reduction has two outcomes. Firstly, most companies believe that they are presently the 'correct size'. This means that the number of workers and the number of pairs being produced is creating the least amount of 'slack'. Close relationships with suppliers, retailers, and other industry members helps maintain the 'fit' of the business to the size of the market. However, many managers believe that the industry as a whole will continue to contract.

The second outcome of industry contraction is the overall size of the workforce. Managers believe that the small size of the workforce has put the skills of the industry at risk. Very little new training is taking place at present. As more 'handcrafted' skills are required to manufacture footwear in New Zealand, it appears that the 'skills gap' will grow.

Thus, the 'right' size for individual firms may not be the 'right' size for the industry as a whole.

## **QUANTITY**

Although the Government has promoted CER, the idea of Australia/New Zealand being one market is only realistic for the whole industry when an economic union is a fact. Until then exchange rate fluctuations, costly customs procedures, and different commerce legislation continue to hamper the ideal of Australia and New Zealand being one large market.

To continue to be viable, small manufacturing companies need to have a sustainable domestic market. To have a viable domestic market footwear has to become a preferred optional extra rather than a necessity to New Zealand shoppers. At present 'good quality that will last forever' means very small sales volume. At the other

end of the spectrum is the view that shoes are not even necessary! Look at the number of fashion photos with barefooted Kiwis!

New Zealand shoppers have to believe that footwear is both collectable and consumable, rather than a necessary product. New Zealand manufacturers need to become active participants in the creation of a consumer society by creating demand for a larger volume of their product.

## QUALITY AND VALUE

At the 1995 Conference a case was made for the difference between imported and New Zealand footwear. It was argued that New Zealand manufacturers make quality footwear. But what is quality? The quality of the product has to be known (through various forms of advertising) and considered constant (through various forms of service).

When I spoke with individual managers, the conversation often moved to the idea of quality, but quality was not often clearly defined. The undefined meaning of quality suggests a direct relationship between the amount of money paid for footwear and good design, skilled crafting, and superior materials. However, there are many definitions of quality; quality for money, quality of workmanship, the image of quality, originality as quality. This small sample of definitions indicates the importance of identification of 'specific' aspects of quality for specific market segments.

The idea of value also has many definitions. Some people value low price, some people value high price; value is added because shoes cost more or less in comparison with similar products. Value is added by the availability of the latest fashion, and for others values means that shoes are long-lasting. Safety, style, comfort, and colours are also elements which add value.

As consumers become more exposed to options, the definitions of quality and value is located in service.

## SERVICE

Many of the managers in this study said that their strength was service. Some went so far as to say that footwear is now a service industry.

Four elements of domestic service were noted at the 1995 Conference. New Zealand manufacturers have a fast repeat time frame, New Zealand manufacturers know what New Zealanders want, New Zealand shoes offer quality for price, and New Zealand manufacturers can supply new designs before the imports arrive. Customisation adds value to these services.

Good service depends on the identification of 'the customer'. In a changing industry it is often hard to identify 'the customer'. And in a small domestic market both the retailers and the 'end users' need to be served; service needs to be 'customised'.

## SEGMENTATION

Large and small social, political and economic changes directly affect the manufacture of footwear. Some recent changes in New Zealand include:

- increased immigration which has expanded the diversity of the 'kiwi foot'.
- change in government economic policies which has redistributed income; the country is losing the mass of middle income earners.
- about 1/3 of the total population lives north of the Bombay Hills, although this concentration does not change the fact that regional buying habits and preferences still exist.

Fewer babies are being born, more people are living longer, and more women are entering the paid work force. Which means that more money is being spent on each child, pensioners are an expanding group within the

market, and the diversity of occupations for women expands the variety of shoes being bought. These kinds of changes make re-assessment of who is buying footwear as well as where footwear is being bought necessary for all New Zealand manufacturers.

The concept of segmentation - the identification of specific customer groups - is one way to re-assess the market. Identification of segments, whether by age or geography or image, helps companies to target a niche market.

## A NICHE

The convergence of individual company competencies with identified market segments is what makes a viable niche. Managers indicated that they were taking into account both the diversity of imports and the growing diversity of New Zealand customers to find their niches.

All managers talked about their niche in a market that is inundated with imports. They suggested that **quality, value, and service** are the hallmarks of New Zealand shoes at all levels of the market. At the same time in a 'market' driven environment, marketing skills naturally take on a greater importance.

## PRODUCT BRANDING

Conventional wisdom suggests that where large numbers of 'similar' products are manufactured, **BRANDING** becomes a necessity.

A survey of brand recognition was presented at the 1995 Conference by one of the speakers. Current New Zealand brands did not make the list. The survey results confirm what one retailer told me about 'the good old days'. He said that most people used to come into the shop and say, "I will have another pair of these shoes; this time brown, not black." With a limited range of options, branding is not as important to the customer. But in a market economy that is not the case.

We are told constantly in the media that customers have choice and customers want choice in this new consumer-driven environment. However, consumers need information in order to make comparisons to exercise choice. The information about what is important for making choices can be presented in a variety of forms. The Federation has produced the *Retail Product Information Handbook*, an industry video is being produced, and factory visits have been arranged for retailers. **BRANDING** is another method of focusing on what is important for both the manufacturer and the customer.

It appears that at present most companies have product brands. However, a more comprehensive view of the advantages and uses of identifiable **BRANDING** for a target segment can be taken into account for the future of both individual companies, and the industry as a whole.

**BRANDING** can be seen as one more way to provide a service which creates customer loyalty.

## NEW ZEALAND MADE

For many people, quality and value have both tangible and intangible facets. The industry and individual enterprises can utilise two initiatives already in place which appeal to intangibles in customer choice.

The **BUY NEW ZEALAND** programme for the domestic market appeals to the intangible value of national pride. It is a way of differentiating between imported and domestically produced shoes. In some instances, such as safety standards, the designation is crucial, but in other circumstances loyalty to brands is enhanced with the **BUY NEW ZEALAND** designation.

**NEW ZEALAND WAY** is also a programme of national identification, but the programme is aimed at export products. With liberalising global markets, the Government has pushed the idea of a growing economy being export-led. Shoes have always been part of a global market, however, as freer trade is initiated in more and more countries, distinctive symbols become worth a thousand words (and a million dollars).

Attention to the competitive advantage which both of these programmes offer would indicate a commitment to a distinctive New Zealand footwear industry. The tension between individual initiative and industry action, is part of being a member of a small industry, but individual companies and the industry would benefit by giving attention to these programmes.

## **DIFFERENTIATION**

All of the managers I spoke with had a 'passion' for making shoes. This passion would appear, for the most part, to align with 'profitability'. The loyalty and persistence displayed by each enterprise in the face of seemingly insurmountable odds during the last 10 years, indicates to me the special nature of individual companies.

The companies, all small businesses, have adapted to the constant change as noted by their continued survival. Words and ideas such as loyalty, hard work, our style, our look, were used by many managers in the interviews. My view is that the companies that remain in the industry have developed, or are developing, a strong organisational identity.

The management literature discusses the value of organisational identity. In any market with more than one supplier or producer, it is important to accentuate differences. One way of doing this is to develop a distinctive company culture which is associated with a specific brand and a specific style. The identification of organisations with their products is especially beneficial to small companies. Brand identification within an overall organisational culture is a world-wide trend, and will help to develop both domestic and export markets.

## **ALL YOUR EGGS IN ONE BASKET**

The management literature suggests that companies can focus on one product or they can diversify. The identification of market segments and the practice of branding are suggested ways to focus. However, being able to produce a variety of 'generic' shoes for other companies, retailers, or a little known brands for your own retail outlets has as many advantages as focusing strategies.

There are arguments for both focus and diversification especially in fluctuating markets. The arguments and the fluctuation will always be with us. Being able to continually move between extremes of the market using different strategies is an indication of flexibility. The niche that you have found today must be questioned tomorrow. The business environment will continue to change rapidly, and the realisation that there is no one long-term strategy will reinforce the need for innovation and flexibility.

And no matter how specialized an enterprise becomes, having the capability of picking up slack within the industry keeps individual companies and the industry viable.

## **THE FEDERATION**

In the 1890s the Federation was concerned with striking cobblers. In the 1990s it might be time for the Federation to change it's role yet again.

As managers of small companies are required to be continually innovative and adaptive, new skills and ideas are necessary. Good management practices involve the constant re-assessment that will be the hallmark of all future small business enterprises in New Zealand.

The Federation could take a leadership role in arranging for seminars with management experts to help the present managers up-grade their skills. As noted in this brief overview of the industry, marketing and service skills are now as necessary as manufacturing and production skills. The use of modern telecommunications and computers is also becoming a necessary part of doing business. But most importantly, small business managers need to be able to use their precious time 'doing what is most important', and what is most important is constantly changing. Seminars in management 'up-grading' would add value to the industry as well as individual enterprises.

## Appendix C

### PARTICIPATION REQUEST FOR FOOTWEAR MANUFACTURING INDUSTRY, 1995

Dear ??

This is a letter to introduce you to the research project which we are undertaking under the auspice of the University of Canterbury Department of Management with the support of the New Zealand Footwear Manufacturers' Federation.

We will be studying three different industries to gain some knowledge of their vision of the future. Each industry will be chosen as a representative of one phase in the life-cycle model of industries; emerging, mature, declining.

I will be studying the New Zealand footwear industry as an example of an industry in 'decline' as this designation was made in the industry submission to the Ministry of Commerce concerning the 1996 tariff review.

It is my intention to interview managers of firms at present manufacturing footwear in New Zealand. Due to limited resources, I am not able to include all footwear manufacturers, so I have chosen those firms which manufacture either mens or womens casual/fashion products with premises in the main centres. As these firms constitute the largest group within the Federation, I hope to gain a general view of the future of the industry from these managers.

I would appreciate the opportunity to interview you, at your place of business, some time in ~~. The interview will be tape recorded and should take about one hour. The focus of the interview will be your view of the future of the footwear industry.

I will contact your office to arrange a suitable time next week.

If you have any queries, do not hesitate to call us at (03) 3642 467

Yours sincerely,

Toby Harfield  
PhD Student

R T Hamilton  
Professor of Management

## Appendix D

### LETTER REQUESTING SUPPORT FOR WINE INDUSTRY RESEARCH, 1996

Philip G Gregan  
Chief Executive Officer  
Wine Institute of New Zealand  
PO Box 90276  
Auckland Mail Centre  
**Auckland**

14 June 1996

Dear Mr Gregan:

This letter is to introduce myself and my research.

I am currently a full-time PhD student in the Department of Management at the University of Canterbury.

The main thrust of my thesis is the study of three New Zealand industries using an evolutionary model of emerging, mature, or declining. I plan to study one industry in each category. The study is to determine if the characteristics outlined in the accepted theory apply to the New Zealand case.

The method of choosing which industries to study is based on two sets of data. The first set of data are statistics supplied by New Zealand Statistics concerning entry and exit of firms during 1987-1991. The second set of data will be information made available by an industry "trade association" willing to take part in the research.

My study of each industry will involve three or four parts.

1. an historical analysis based on archival material
2. an analysis of the industry within the framework of evolutionary theory
3. an analysis of individual firms within the industry concerning their past and future strategies
4. an analysis of the industry as a social network.

From this outline it is clear that without the co-operation of the members of the industries I will study, my intended research would be impossible. Thus, my request for help from the Wine Institute of New Zealand.

I have chosen the wine industry to study as an "emerging industry" because the New Zealand statistics indicate that there have been more entries than exits of business units during the 1987-1991 period.

The second level of analysis will need information that can be supplied by the Institute. I would like to be able to obtain data about such things as the number of member firms, persons employed, history of the industry etc. It is hoped that this source of data will help to validate/refute my earlier model and possibly suggest additional areas to study as part of the overall analysis of the industry.

I will provide the Institute with a copy of my findings, however, please remember that my main aim is to produce a PhD not a comprehensive study of the wine industry. As a matter of practice, information which is considered "sensitive" to the industry will not appear in any written document which is available to the public.

I have previous research experience as both a student and a consultant and follow the guidelines as set out by the ethics committee of the University of Canterbury concerning procedures and confidentiality.

Enclosed is a copy of the letter which will be sent to selected senior executives. I would appreciate your contribution to the research by way of a letter of introduction which will be sent along with the attached letter. I plan to interview about twenty-five executives.

Professor R.T. Hamilton is my supervisor and if you have any other questions, please feel free to contact either of us.

Sincerely,

Ms Toby Harfield

direct line: (03) 3642-656

fax: (03) 3642020

e-mail: t.harfield@mang.canterbury.ac.nz



## PARTICIPATION REQUEST LETTER FOR WINE INDUSTRY, 1996

Dear ??

This is a letter to introduce you to the research project which we are undertaking under the auspice of the University of Canterbury Department of Management Kate Kumarich of the Wine Institute of New Zealand, suggested that I contact you.

I will be studying three different industries to gain some knowledge of their vision of the future. Each industry will be chosen as a representative of one phase in the life-cycle model of industries; emerging, mature, declining.

I have finished research into the footwear manufacturing industry as an example of a declining industry. I will be studying the New Zealand wine industry as an example of an emerging industry as indicated by the continued within the industry of new labels.

It is my intention to interview managers of firms at present producing wine in New Zealand. Due to limited resources, I am not able to include all wine producers, so I have chosen a cross section of firms from a number of different regions. From this sample I hope to gain a general view of the future of the industry.

I would appreciate the opportunity to interview you or an appropriate colleague, at your place of business, when I visit ~~~~~ some time in ~~~~. The interview will be tape recorded and should take about one hour. The focus of the interview will be the strategies you have used in the past and the strategies you have identified for the future.

I will contact you to arrange a suitable time next week.

If you have any queries, do not hesitate to call us at (03) 364-2467

Yours sincerely,

Toby Harfield  
PhD Student

R T Hamilton  
Professor of Management

## Appendix E

Information sheet for wine industry study

Name

Name of Company

Founding Date of Company

Public/Private

Proprietorship/Business unit

Number of employees

number of acres

amount of wine

Importer/exporter/domestic

-wine making main business

-wine making % of main business

Strategies used from 1983

Strategies used from 1990

Competitors

Do you have any comments on the idea of competition\cooperation?

future firm strategies

Is there a future for the industry?

Is there a future for the firm?

Have you read Porter's book ?

Do you know about emerging industries?

Have you had to be more flexible because of the changing environment?

Do you have any comments on this model?

stable

survivor

sharp bending

sustained adaptation

**REPORT ON THE  
NEW ZEALAND  
WINE INDUSTRY**

**PREPARED BY  
TOBY HARFIELD**

Department of Management  
University of Canterbury  
February 1997

## **ACKNOWLEDGMENTS**

1.0 This is a brief report prepared for the Wine Institute of New Zealand and for those who participated in my study of the wine industry.

1.1 Firstly, my thanks to all the participants in this study. A report of this kind is only made possible through your willingness to share your experiences and give of your valuable time. I would also like to thank the Wine Institute for supporting my research efforts, and especially Kate Kumarich for her help in operationalizing this project.

## **RESEARCH BACKGROUND**

2.0 The aim of my research is to obtain descriptions of the past and a vision of the future of the New Zealand wine industry from the perspective of those inside the industry.

2.1 The principal source of data used to obtain an 'insider view' of the industry was a series of personal interviews. Because I was unable to speak to all members of the industry, I have focused on members of the Institute in Christchurch, Blenheim and Auckland. I was able to speak with managers from twenty listed wineries, in all categories within the industry. The list of the wineries is attached.

I was also able to attend the New Zealand Wine and Grape Symposium in Auckland, and had informal discussions with additional wine makers and some industry suppliers at that time. I also contacted retailers and wine consumers on an ad hoc basis in Christchurch, Blenheim and a wide range of areas in Auckland.

2.2 This report is based on my own interpretation of the conversations with members of the industry, Conference presentations, informal interviews with suppliers, the trade and consumers, and theories generated within the Management literature.

The views expressed in this report are those of an acknowledged industry outsider, and are constructed from information collected from only a cross-section of the industry. I present my general impressions rather than attempt to make specific recommendations in the hope that the information is useful to individual managers and members of various committees of the Wine Institute of New Zealand.

## **THE WINE INDUSTRY IN 1996**

3.0 The wine industry which exists today has its roots in the first vines planted in New Zealand, and more recently in the Industry Development Plan of 1980. The Industries Development Commission recommended to the Government a series of legislative changes which they believed would help the wine industry become a major export industry.

3.1 Although many of these legislative changes were concerned with commercial matters, the most important recommendations were designed to encourage a changes in the attitudes of New Zealanders towards the drinking of wine. For the most part the change from the view of wine as 'demon drink' to the view that wine is a normal part of eating has been achieved. Today New Zealanders drink wine at the dinner table, in restaurants, at wine festivals, on city streets, and at the beach. Wine is considered by many New Zealanders to be a natural part of both informal and formal social occasions.

3.3 This shift in drinking habits has accompanied a shift in wine making expertise within New Zealand as the wineries changed their emphasis to the production of varietal table wines. The still growing industry has developed world class wines which are sold in both the domestic and export markets. New Zealand has a growing international reputation for white wines and a slowly growing appreciation for reds. And although the domestic market is mature in terms of volume, the local population continues to demand an increasingly sophisticated range of wines. The export market, on the other hand, is an emerging market for the unique New Zealand Style and Taste.

## **NEW ZEALAND in THE WORLD**

4.0 Today the industry exports 11.013m litres of wine to more than 25 countries. The Wine Institute and government have worked hard over the last decade to gain international recognition for New Zealand's worldclass wines. Wine has gradually become a national symbol of New Zealand. Thus, both the New Zealand government and the wine industry have an interest in the global reputation of New Zealand wine.

To maintain this reputation both the government and the industry are involved in ensuring a high standard of wine production for local consumption and for export. Every bottle of New Zealand wine sold in the world is an advertisement for the country which the Government considers to have positive, long-term economic effects. The fact that nobody else in the world produce the wines of New Zealand is perceived by both government and the industry to be our competitive advantage. The comparative advantage of grapes grown in New Zealand soil, coupled with a New World style of winemaking, creates a unique product which can be linked to a political agenda.

## THE WORLD in NEW ZEALAND

5.0 Tourists visiting New Zealand may have encountered New Zealand wine before their visit or they may have been informed of New Zealand wines via international media coverage. The domestic market should also be seen as an export market in many instances. Much of the wine sold in restaurants, at the cellar door and at festivals is sold to overseas visitors. They come to New Zealand to drink New Zealand wine and in many cases to take home some New Zealand wine. Whether a connoisseur or a casual drinker, each person who likes New Zealand wine in New Zealand will be a potential customer in their homeland, be it Canada, Japan or Germany. Thus both the industry and individual companies should take advantage of having the overseas customer in New Zealand. The tourist industry should be closely linked with the wine industry at all levels.

5.1 If New Zealand is to be perceived throughout the world as a wine producing country, then the country of origin is an important issue. Foreign wine in New Zealand casks or bottles confuses the consumer and does little to build the reputation of New Zealand wine, at home or abroad. As New Zealand is the only point of difference for a sustainable industry, every effort must be made to maintain a 'purity' of product.

5.2 As the global wine industry becomes aware of the success of New Zealand wines a greater level of foreign ownership will become common. Foreign ownership is a good source of investment for industry but the competitive advantage enjoyed by New Zealand wines because of their quality can be lost if they must conform to standards imposed by foreign owners. The limiting of the variety of distinctive styles usually follows the advent of corporate control. The value of overseas ownership as a method of maintaining industry needs to be balanced by the knowledge that the competitive advantage which comes from being small lies in the lack of standardization.

5.3 Distribution is another area where foreign ownership impinges on New Zealand wine. To date, 40% of wine is sold in grocery stores and this amount is expected to grow with Sunday trading. As more and more head offices' decisions are made overseas, more and more New Zealand wines will lose shelf space. Standardization of distribution works against individual labels as high volume, fast turnover and low prices become the purchasing criteria. Again both domestic and overseas customers shop in supermarkets; if only foreign wines are found on the shelves, any competitive advantage is lost.

5.4 The world is brought to New Zealand not only through visitors and foreign interests in the industry, but also through companies which currently export. Although not all companies within the industry export, producers for domestic markets also gain from the efforts of exporters. Exporting companies, especially the larger companies, can keep the industry informed of trends, regulations, changes, in fact anything that will impact on New Zealand wine production.

## A NICHE and A POINT OF DIFFERENCE

6.0 'We are in a class of our own' was a phrase which I heard often. This view of both the type of wine and the market available appears to be true for large, medium, and small operations in both domestic and overseas markets. This positive attitude is an expression of the innovation required to create a market niche both overseas and at home.

6.1 The domestic market may be mature, but even in a mature market total domination by large companies is not the only alternative. Smaller companies cannot compete with those companies which have large marketing departments, but smaller companies can trade on the exclusivity of their product. The uniqueness of a product can best be expressed as a service, so that a cellar door, a restaurant, or any other kind of service that can be provided to the customer which highlights uniqueness are ways to gain a small slice of the local market.

6.2 Customers, both native New Zealanders and tourists, are increasingly looking for a 'wine experience'. Services which focus on selling wine as an experience, such as wine tastings or special festivals, will gain market share. As markets are always dynamic, new segments and products and services can be created by a focus on relationship marketing.

6.3 As the world moves towards greater relationship marketing, the traditional New Zealand method of doing business is a strength to be exploited globally. The necessity for each company to form personal relationships for export markets keeps the of the industry viable. Thus, exporting 'a little bit to a lot of places' will insure that the New Zealand wine industry continues to grow in the global market.

Although the quantity of New Zealand wine produced is limited, this small volume has two strengths when exporting into wine growing countries. Firstly, most markets tolerate competition that does not appear to obviously threaten market share of domestic brands. For example, California can easily absorb 10,000 cases of New Zealand wine because most players won't even know it is on the market. However, the noticeable volume of 1,000,000 cases a year will be perceived as a threat which leads to the attendant retaliatory strategies.

Secondly, the small quantities of New Zealand wine produced can be exploited for its 'rarity' value.

Transforming an obvious weakness of limited quantity into a strength of 'rarity' will help companies find export markets which demand 'rarity'. The perception of New Zealand wines as 'rare' is a long-term position which can be sustained.

## **COMPANIES and the INDUSTRY**

7.0 One of the noticeable characteristics of the wine industry in New Zealand is the range of company size from the very small to the very large. This range is one of the strengths of the industry. Although there will always be a tension between small and large enterprises, the diversity of company sizes makes for a thriving industry even within a mature market. Despite the ongoing tension between the large and small companies with their different views of the world, it is important for the Institute to mediate these differences for the benefit of the entire industry.

7.1 The small volume of the New Zealand market could probably be served by only one large company, but the future of the industry depends on the maintenance of a large number of companies of varying size. Wine is a matter of personal taste; even the largest company cannot meet the requirements of a nation of wine drinkers. Tastes also change over time and with different occasions, and small companies are often more able to implement the innovations which lead changes in the market. And continuous change is now the hallmark of a thriving industry.

7.2 The high cost of entry into the industry has not stopped some entrepreneurs. Some wineries avoid the high capital costs by becoming wholesalers with only a wine label to indicate their participation in the industry. This issue of licensing non-producers has caused some ill feeling within the industry. The definition of a wine maker, which has always been fluid, needs to be re-assessed in view of the growing need for the industry to maintain a reputation for quality.

7.3 Although the Wine Institute was formed as a body to interact with government concerning matters effecting the industry, as the industry matures the focus of the Institute will have to be on industry regulation. Wine making is a science but it is also an art; wine making is a commercial venture but it is also a personal passion; wine making is an industrial process but also a horticultural process. The tensions created by these complexities mean that no one set of rules or regulations can be used to monitor the quality of product. At the same time by constantly re-appraising these contending points of view the health of the industry can be maintained.

## **DIVERSIFICATION and VERTICAL INTEGRATION**

8.0 Most wineries in New Zealand are part of a complex business structure. This need to diversify is due to the modest market and the risk involved because of the dependence on a supply of grapes. The largest companies are part of larger corporations and the smallest companies are often subsidized by the second careers of the owners. Diversification is considered good business practice due to the long wait for a return on investment at all stages in the wine-making process.

8.1 Diversification is also evident in the wide variety of products being produced. The practicalities of making a return on a primary product suggest the wisdom of spreading the risk to an assortment of grape varieties. The production of a wider range of wines from a wider variety of grapes is another standard practice within the industry. Viable companies makes a sustainable industry. Good business practices are required to mediate the passion for wine making which is evident at all levels of the industry.

8.2 A second feature of the industry is the rapid movement towards vertical integration of vines and wines. Many growers now produce their own labels, often with the use of a contract winery. The larger companies, not wanting to be reliant on growers, are planting more and more of their own vines. The fear of many in the industry is that the traditional relationship between growers and winemakers will be lost with a resultant glut of product on the market.

8.3 It is considered normal that an industry will change shape as it matures. But as has been previously mentioned, the New Zealand industry appears to be both mature and emerging. The emerging phase of an industry is usually marked by the entry and exit of a number of companies. This could be seen as a consolidation of the middle rank of companies, and a loss of a number of the companies which have arisen from within the bunch of growers. These changes in the structure of the industry will mostly effect the family based firms which are traditionally, and currently, the backbone of the industry.

## **CO-OPERATION and COMPETITION**

9.0 Strategic management theory has for a long while stressed strategies which support the attainment of market dominance. All industries are considered to be made up of players who will do whatever it takes to get

the 'lion's share' of the market. The development and implementation of strategies designed to wipe out rivals is considered good business. The wine industry in New Zealand, however, seems to grow and thrive on a different set of values. The need to be competitive exists within a cooperative value system. The larger companies, which are the major players and have among themselves a great diversity of wines, still need the smaller players to create both the perception and the reality of an industry structure which consists of a large number of wineries which is expected of a worldclass wine producing country.

9.1 Because of the high capital cost of creating a winery, the smaller companies are less likely to have the facilities required to crush, bottle and distribute juice or wine. The contracting of grape growing, crushing, wine making, storing, bottling and distribution is a feature of a small industry in a small country with great distances to be covered. This cooperative use of the industry capacity ensures that a wide variety of wineries are able to remain in the industry. The resultant diversity gives the wine industry in New Zealand its unique flavour.

9.2 Cooperation is also an asset to a very small industry, in global terms. In years such as 1995, when a large portion of the industry was threatened with disaster, 'all hands' were needed to avert a total crisis. Cooperation is also a tradition in relation to the exchange of information in both winemaking and viticulture. A variety of conferences held throughout the year in a variety of locations around the country attest to the premium placed within the industry on working together.

9.3 Competition of a sort is also healthy for an industry. The series of award competitions gives the industry a means of assessing itself. Competition in the market place is also healthy, if as noted the larger players remember that they need the smaller players if they are to have a credible industry. The concept of a 'fair share' is one which needs to be taken to heart, especially at corporate headquarters.

## **CONSUMERS and EDUCATION**

10.0 The child of today is the wine drinker of tomorrow. I assume that the industry wants all New Zealanders to be wine drinkers, for the good of the industry and the health and wealth of the nation. Early exposure to the industry is a good long term investment.

10.1 The Institute has a number of mechanisms by which information on the industry can be disseminated throughout the wider community such as their web site, organization of the Air New Zealand Wine Awards, and printed material. The focus on providing promotional material might be expanded to view all material provided for both adults and children as educational. Because of the lack of a wine drinking tradition in the country, a long term plan of educating young and old seems a natural function of the Institute.

10.2 Individual wineries hold open days for valued customers and regional wine festivals serve to promote local wines. Both of these seemingly commercial events can be also seen as educational tools and an investment in the future.

10.3 Another form of education accrues from the wine commentators in the various media. A view of the media as partners in educating the general public will ensure long-term benefits for the industry. Close links between national commentators and the industry can only add to the profitability of the industry.

10.4 Much New Zealand wine is sold through restaurants, but more than one customer has told me that the person serving the wine knew nothing about the wine list. This lack of knowledge is being attended to by training some educational institutions which serve the hospitality industry as well as some companies within the wine industry. However, for every meal that is consumed with no help as to wine choice, probably many more bottles of wine are not being consumed at home. The industry might attempt to address this apparent lack of knowledge within the hospitality industry as part of a wider educational programme.

## **IMAGE and REPUTATION**

11.0 'Wine is about image and reputation' was an often-repeated comment. Both nationally and internationally wine sells because of the reputation which is maintained in the media as much as it is at the cellar door. The need to maintain an 'image' which is backed up by fact makes the industry vulnerable in a number of areas.

11.1 As already mentioned, the perception of New Zealand as a wine producing country needs to be reinforced by strict labelling criteria concerning foreign produce. The image and reputation of New Zealand wine is found on the labels, and as other nations or economic zones have strict labelling regulations, the use of 'New Zealand' should be used only for grapes grown in New Zealand. It is assumed in some quarters that cheaper products which are blends of juice from many countries would not lose any selling point by not being able to display New Zealand as their country of origin on the packaging. Some 'second tier' labelling such as Pacific Rim or 'Products of the World' might help to preserve the 'uniqueness' and 'rarity' of New Zealand wine.

11.2 A second issue concerning the unique quality of New Zealand wines is the use of regional names. At

present the New Zealand practice of 'mixing and matching' juice from many regions does nothing to gain or to maintain reputations. Creating a wider acceptance of regional names has two very clear advantages. Firstly, when a 'bad year' hits, which happens from time to time, all New Zealand wine is not tarred with the same brush. Secondly, the regions which already have distinctive varieties at which they excel will be able to use the regional name as a point of distinction. When New Zealand becomes synonymous with Wine, the finer distinctions of the regions will be a competitive advantage. The campaign of the Industry to gain local as well as international recognition for regional designations remains a priority.

11.3 The Wine Guild is to be congratulated on its campaign to create interest for New Zealand wines in overseas markets. The focus on a Clean & Green Country has successfully fed into a ready-made market niche. Yet the images of 'clean & green' can have serious repercussions if the 'true' state of the industry becomes the focus of 'expose' journalism. The damage to the reputation of the industry from such an attack would take years to repair.

It might be useful to begin now to meet this possible threat. A presentation at the Symposium in Auckland suggested that environmental certification is one possible avenue. Although this programme is in its infancy, the Institute might investigate the effects of an environmental industry standard. A second long-term course of action must be to gain a new image and reputation for New Zealand. When 'New Zealand' becomes synonymous with 'Wine', rather than with 'Clean & Green', the reputation of the industry can be maintained. Taste, quality and consistency are the ingredients of a good reputation which may be debated in the media, but they are not vulnerable to exposure of unmet claims.

11.4 It has been noted by many that New Zealand is a boutique winery within the global context. New Zealand wine is 'unique', but more importantly it is 'rare'. The limited size of the country ensures that 'rarity' will always be a feature of New Zealand wine. A competitive advantage only remains an advantage if it is sustainable, and the reputation for 'rarity' is sustainable.

## **MARKETS at HOME and ABROAD**

12.0 Managers from large, medium and small enterprises reiterated that the marketplace had become very competitive. Most managers agree that marketing was the most important function of their business in 1996. Gone are the easy days of the past when customers 'walked in and carried it away by the car load'. And yet the romance of the industry and the more pragmatic desire to take control of the destiny of the product have brought new 'wineries' into the industry in unprecedented numbers. This influx of labels puts the squeeze on the finite domestic market. At the same time new companies are joining the industry with the express intention of finding a niche in the growing export market

12.1 Good advice for new entrants is to find your market first. This is not always easy in an industry where lead times vary from one to ten years. Never-the-less most managers agreed that the industry is no longer product driven, even though in some cases the supply cannot meet the demand. Producing wine for pre-determined domestic or export markets is the expectation for the foreseeable future.

12.2 Domestically it is still possible to find new markets, if the scope of the industry is widened. The wine industry is part of other industries such as the hospitality industry, the primary products industry, the food industry, and the health industry. The overlapping of industry interests does cause tensions, but ignoring the potential scope of wine within the New Zealand context will lead to lost opportunities to expand the local market. But, as mentioned above, finding and maintaining the market is dependent on close business and personal relationships.

12.3 Many people within the industry are concerned with the growing concentration of large corporations involving the distribution of wine within New Zealand. The values of 'cheap and fast' are not seen as compatible with the desired image and reputation for quality that many wineries hold dear. Positioning on supermarket and trade shelves is becoming a matter of inventory control which leads to a loss of diversity and scope within the industry. A focus on volume rather than diversity will only be detrimental to the industry in the long-term. How to maintain a thriving and diversified industry is the essential undertaking for future leaders of the industry.

12.4 Another area of perceived market expansion within New Zealand is the premium end of the market. The numbers are small but the returns are high. However, with 'everybody and his dog' aiming at this segment, relationship marketing is even more important. It is in this segment that the 'fit' between the reputation and image of a winery and the designated market is most important. Individual firms positioning themselves as purveyors of fine wines can only do so once they have clearly identified the intended consumer. Thus, meeting the people who drink your wine has become an necessary element in the marketing mix for premium wines.

12.5 One common way to ensure penetration of a market is to exclusively supply a restaurant or to have a cellar door. Both methods meet the growing expectation among consumers of a wine 'experience'. A 'favourite'



wine is coming to mean personal identification with the winery or the restaurant as well as the product, even though the product is often produced for rather than by the outlet. The criteria which are important to industry insiders in terms of wine production and marketing are often not important criteria to the consumer. A loyal customer today, as with traditional cellar doors, is often a customer who links the product to a location or event.

12.6 Any of the mentioned views about domestic markets apply to overseas markets as well. Because 99.99% of the world doesn't know about New Zealand wine as yet, the potential for the development of overseas markets appears to support an expanding industry into the far-distant future. All producers have the opportunity to become exporters by finding a market and filling the niche.

## Appendix G

### PARTICIPATION REQUEST LETTER FOR PRINT INDUSTRY, 1997

CHRISTCHURCH

5 March 1997

Dear~:

This is a letter to introduce you to the research project which I am undertaking under the auspices of the University of Canterbury Department of Management.

I am studying three different industries to gain some knowledge of their vision of the future. Each industry has been chosen as a representative of one phase in the life-cycle model of industries: emerging, mature, declining.

I have completed the research for both declining (footwear manufacturing) and emerging (wine) industries. I am studying the Christchurch printing industry as an example of a mature industry because of the long history of printing in Christchurch.

It is my intention to interview managers of firms presently printing in Christchurch. However, due to limited resources I have chosen a cross section of firms as suggested by~~~~~. I hope to gain a general view of the past as well as the future of the industry from this sample.

The focus of the interview will be on the strategies you have used in the past and the strategies you have identified for the future.

Yours sincerely,

Ms Toby Harfield  
PhD Student

## Appendix H

### Questions for Printing Industries

Name

Founding date of company

Public/private

Proprietorship/Business Unit

Board of Directors

Number of employees

type of equipment

type of products

% manufacturing main business

Firm strategies for future?

competitors

importer/exporter

Is there a future for the firm?

Is there a future for the industry?

Advice to the industry?

Have you been affected by 'de-regulation'?

Have you heard of Michael Porter?

Are competition and cooperation polar opposites or are they inter-meshed?

Have you any comments on this model of managing in a de-regulating economy?

Stable, survivor, sharp bending, sustained adaptation

REPORT ON THE  
PRINTING INDUSTRIES  
OF  
CANTERBURY

PREPARED BY  
TOBY HARFIELD

Department of Management  
University of Canterbury  
May 1997

## ACKNOWLEDGMENTS

1.0 This is a brief report prepared for the Printing Industries Association of Canterbury and for those who participated in my study of the industry.

1.1 Firstly, my thanks to all the participants in this study. A report of this kind is only made possible through your willingness to share your experiences and give of your valuable time. I would also like to thank Steve Woodside at the Printing Industries Association of Canterbury for supporting this project by making available the Industry records along his valuable expertise.

## RESEARCH BACKGROUND

2.0 The aim of my research is to obtain descriptions of the past and a vision of the future of the Printing Industries of Canterbury from the perspective of those inside the industry.

2.1 The principal source of data used to obtain an 'insider view' of the industry was a series of personal interviews. Because I was unable to speak to all members of the industry, I have spoken with members suggested by Ron Fussell or Bruce Bascand and members recommended during the course of the interviews. I was able to speak with managers from 18 companies which covers pre and post printing as well as general and specialist printing.

2.2 This report is based on my own interpretation of the conversations with members of the industry, records from Auckland, Wellington, Otago and Christchurch Associations, and theories generated within the Management literature.

The views expressed in this report are those of an acknowledged industry 'outsider', and are constructed from information collected from only a cross-section of the industry. I present my general impressions rather than attempting to make specific recommendations, in the hope that the information is useful to individual managers.

2.3 The name Printing Industries Association attests to the fact that there are a number of inter-dependent industries under the umbrella of the Association. However, because of the limited sample of companies in this study, printing industries and printing industry will be used as synonyms in this report.

## HISTORY OF THE CANTERBURY PRINTING INDUSTRIES

3.0 The first European settlers to New Zealand brought the tools of their trades with them. The first ships arrived in Christchurch on 16 December 1850. From the printers point of view the most important ship to arrive was the *Charlotte Jane*. She transported the printing press which was to print the first edition of the *Lyttelton Times* on 11 January 1851, just 20 days after arriving in New Zealand.

3.1 The of the settlement and the community institutions such as the Provincial Government, the University, and the churches all depended on the printed word. Printing grew along with the settlement and in 1889 the first formal association of printers was formed. The Christchurch Master Printers' Association was initially formed to curtail price cutting practises by setting standard fees for standard services, ...plus ca change!

3.3 The Association has taken many forms through the years, sometimes representing large and small firms, sometimes representing only large firms and sometimes, such as between 1894 and 1900, being in 'recess'.

3.4 The Association also had a series of official and unofficial name changes many of them to comply with the arbitration system during most of the twentieth century. In 1975 the name changed to The Printing Industries of Canterbury Incorporated which was in line with the New Zealand Federation name change.

3.5 In 1997 approximately 60 companies are members of the Association. The structure of the industry expands and contracts as new processes, new products and new personalities find their way to Christchurch.

## INDUSTRY STRUCTURE IN 1997

4.0 The change of name from the Master Printers Association to the Printing Industries Association was indicative of the growing diversity within the industry. This diversity is apparent in a number of different ways.

4.1 One noticeable characteristic of the printing industry in Christchurch is the diversity of company size; from the very small to the very large. The industry includes old presses in the shed and business units of multinational corporations. However, many of the companies are still family owned businesses which have traded in Christchurch for a long time. Although there will always be a tension between small and large enterprises, management theory suggests that the diversity of company sizes makes for a thriving industry within a mature market.

4.2 The second noticeable characteristic of the industry is the diversity of processes. The industry has expanded beyond the simple view of 'putting ink to paper'. The advent of industrial photocopying, plastics as a medium for print, bar coding as the backbone of inventory control, and the encroachment of the computer into every part of our lives, has expanded the definition of 'printing'. The extent of the diversity is noted by the Wellington Association classification system which encompasses over 100 categories within the 'printing industries' banner.

4.3 A third feature of the industry is the advent of the 'print-broker'. The trades skills which are the hallmark of membership in the industry are put into question by brokers. Do brokers help or hinder the industry? Are brokers part of the industry or an intrusion into the industry? Although these questions are not easily answered, it is clear that print-brokers have had the affect of changing the way business is done within the industry.

## **DIGITALISATION**

5.0 Most of the managers I spoke with indicated that the major change in the last five years has been the adoption of digital and electronic technology. The affects have changed both individual company strategies and the industry structure.

5.1 The most talked about change has been integration of pre-press into the print shop. Apple computers for pre-press and design appear to have become the industry standard. Although there are still stand alone design/pre-print companies and stand alone printing establishments, the trend towards vertical integration will continue as more businesses embrace digital technology.

5.2 As the printing industries continue to digitalise, the distinctions between the different phases of production will continue to blur. For some digitalisation is perceived as a forced vertical integration, for others it is perceived as an opportunity. At the same time, because of the investment required, not all companies are able to vertically integrate. Smaller companies are at risk because of outmoded production processes or the inability to meet increasing customer expectations.

5.3 This concentration within the industry however, is only one way that the new technology is being assimilated. Large numbers of independent designers are also having an affect on the industry. The ability of individuals to 'set up shop' with a small investment and little or no training is a concern of many printers. The reputation of the actual printer is often in jeopardy because of the problems which arise because of the lack of quality control at the pre-press stage.

5.4 Digitalisation has also increased the expectations of customers. The explosion of reproductive and communication technology in business, institutions such as schools and public libraries, and the home, creates a more knowledgeable customer. However, the predicament of customers knowing only a 'little bit' causes many production problems for printers.

5.5 Thus both internal and external problems brought along with digitalisation are the latest in the ongoing concern of maintaining control of the reputation of the industry.

## **INDUSTRY CAPACITY**

6.0 The printing industries depend on their machinery. The industry at present has a vast range of machinery for specialist and general tasks. However, as noted above the shift in the last few years to digital equipment has changed the industry in yet another way.

6.1 A common practice within the industry has been to recycle the equipment. As the new equipment was brought into the country by larger firms, the older presses were bought by smaller companies. In this way the industry has continued to expand.

Now the gap between the digital and pre-digital machinery is causing a bottleneck. The main feature of the newer equipment is its ability to do faster runs. Faster runs means more work is required to keep the presses running. Thus the larger companies are beginning to add smaller runs which puts pressure on the middle tier of printing establishments.

6.2 Traditionally the competitive advantage of a firm was in the specialist machinery. This still holds true, as the managers I spoke with indicated their niche markets based on specialist equipment. However, because of the high level of new equipment bought in the last decade, Christchurch firms are having to look farther afield to expand the market for their specialist services.

6.3 Many of the managers thought that the industry had an overcapacity for general printing and that was at present very limited. The overcapacity appears to be caused by an excess of the largest and newest of printing presses.

6.4 At the same time overcapacity had the high end of production should not obscure the fact of the diversity of demand. There appears to be a growing demand for printing of small runs of customised products. Schools, individuals, social or leisure groups all appear to be creating a steady stream of demands for the services of the industry.

## **REPRODUCTION OR PRODUCTION**

7.0 What is printing? Within the industry the distinctions between the amateur and the professional based on the sophistication of equipment and the acquired trade skills are blurring.

7.1 A number of small and a few large firms re-produce rather than produce printed copy. The cost of relatively inexpensive photocopying equipment has meant an additional layer of 'printing' firms have joined the industry during the last 20 years.

7.2 As well as 'regular' photocopying of the standard A4 sheets, there are a number of specialist re-production services such as music and blueprints. These specialist items can be supplied by anyone with the specialised equipment; a specialist re-producer or a general printer. This is one example of the blurring of the definition of 'printer'.

7.3 A second example of the blurring, or restructuring of the industry, is that photocopying companies are beginning to offer 'printing' services. A number of photocopy shops have become 'printers' by offering their customers the same kinds of services which was once the purview of the general printer. Offering the service is not the same as providing the service. The wider range of services offered by re-producing enterprises, place them in the same category as print-brokers. The companies are not required to own any of the printing equipment for their extended services, they are required only to be knowledgeable about all phases of the printing process.

7.4 It could also be argued that the growing sophistication of available copiers has pushed the re-producer into production. Digitalisation has created photocopying capability to 'almost' print quality. The same technology which is used to produce what is considered by general printers to be high quality 'ink on paper' products is also used to re-produce high quality 're-productions'. This convergence of printing equipment is another factor driving the industry towards concentration.

## **A SERVICE INDUSTRY?**

8.0 The printing industries have developed from the expertise of the tradespeople. Production was predicated upon skill; the Master Printers Association appellation is indicative of this view of industry.

8.1 The shrinking of the manufacturing sector and the of the service sector has coincided with the liberalisation process within New Zealand. Before liberalisation the emphasis in the printing industries was on production as noted by the predominance of photographs of machinery in the advertising for printing companies. To-day a focus on production values might jeopardise the viability of a company.

8.2 The liberalisation policy is predicated upon a customer-oriented view of the economy which means that all industries must perceive themselves as service industries. The priorities of a product driven industry are different views from those of a service industry. Although there has always been a component of good service required in printing, the change of self-identification as a service industry is a new direction possible for the printing industries.

8.3 Within the customer-oriented economy enterprises have had to expand, not just the sales personnel, but also the service personnel. Even the smallest of businesses are now expected to provide 'concept to delivery' services.

8.4 In terms of service, the print-broker can be seen as a model for providing the range of services which are now becoming expected. The print-broker is perceived as both a threat to the industry or a new component of the industry. It may be that print-brokers are necessary as digital technology overtakes the traditional divisions within the industry. If this is so, then those printing firms at the leading edge of the industry will have to work with print-brokers or duplicate the services of print-brokers in house.

## **CO-OPERATION and COMPETITION**

9.0 Strategic management theory has for a long while stressed strategies which support the attainment of market dominance. All industries are considered to be made up of players who will do whatever it takes to get the 'lion's share'. The development and implementation of strategies designed to wipe out rivals is considered good business. However, the printing industry in Christchurch seems to thrive on a different set of values. The need to be competitive exists within a cooperative value system.

9.1 The use of the industry capacity at peak seasons but also throughout the year, ensures that a wide variety of printing firms remain in the industry. The resultant diversity is considered beneficial to the customer according to economic theory. If a large number of firms are in business, it is expected that efficiencies will accrue to customers in terms of lower costs.

9.2 Yet, not all players in the industry support the view of cooperation, even though they benefit from the cooperation of others within the industry. It must be remembered that the small New Zealand market could in reality be serviced by one large corporation. However, government and the industry support a large pool of player to ensure competition in the market place.

9.3 Competition in the industry is also formalized such as in the Pride in Print awards. Many of the companies I visited prominently display their awards as befits a company supplying quality service.

9.4 The formalised competition however is based on the very real marketplace competition. As the market

becomes more competitive on price, service becomes the point of difference. The strategic management literature is full of advice on market leadership based on price, yet most of the managers I spoke with suggested that price was the one factor that they had very little control over. All the businesses I visited had attempted to add-value through differentiated service.

## **A FUTURE FOR THE INDUSTRY**

10.0 The most obvious feature of the industry at present is the rapidly changing structure. The traditional family printing enterprise based on trade skills and loyal customers is under siege.

10.2 Those companies which are able to find a 'fit' between equipment and market niche have a greater chance of survival. With the current overcapacity within the industry, some hard decisions will be required with the apparent trend for industry contraction. The working relationships among firms within the industry will become more complex as businesses vertically integrate or exclusive working relationships are formed.

Pre-press, post-press or re-production are examples of services and products which were once considered supporting of the presses which do the 'real printing'. Today and into the future these discreet processes will continue to be blended into the printing process by digitalisation and economic necessity as the industry develops a new industrial structure.

10.3 Price will continue to be a pressure point as outside forces such as the high dollar, a shortage of paper and technological leaps continue to buffet the industry. Competition for marketshare will also continue to push the boundaries and blur the distinctions within the industry. Self-identification within industry sectors and market segments becomes a compelling strategy for all those planning to remain in the industry.

10.4 Today 75% of the economy is based on services. One definition of service is the ability to adapt to the growing expectations of customers who are becoming increasingly sophisticated through exposure to the processes involved in printing. As New Zealand becomes more experienced with a consumer-orientation economy, all industries will in fact if not in classification be service industries.

10.5 The global transition to customization involves the means to customize products even using the largest printing presses. The strategic management literature predicts that product customization joined with service customization will become a global standard. Those businesses which have always practised 'relationship marketing' will have no adjustments to make as the new understanding of the relationship between customer and printer within a competitive market place becomes common.

10.6 For many customers the marketplace full to brimming of 'choice' will be too much, thus the need for the mediator who is a specialist in the field. These kinds of services are the natural preserve of in-house service personnel, but will also provide a market print-brokers.

10.7 'One stop shopping' is an extension of the possible number of services which printers might provide. Those firms which expand their horizons in terms of the definition of 'printing' to reach beyond 'ink to paper' might find possibilities of the variety of media on which it is possible to print. The willingness to experiment or supply new products for customers will assist in creating a differentiation by service.

10.8 There appears to be an 'infinite' number of customer needs. Not all customers are alike or want the same kind of service or product. A large number of printing establishments offering a diversity of products and services will meet the demands of a consumer-oriented society. To a customer, a school newsletter is as important as is a limited edition book. Awareness of the variety of possible products will also support the maintenance of production diversity within the industry.



## Appendix J

### Who's on first?

#### Abbott & Costello

This is an edited version of a famous comedy sketch of the 1950. The complete script is available on:

<http://www.city-net.com/abbottandcostellofc/>

*Abbott:* Well Costello, I'm going to New York with you. The Yankee's manager gave me a job as coach for as long as you are on the team.

*Costello:* Look Abbott, if you are the coach, you must know all the players.

*Abbott:* I certainly do.

*Costello:* Well you know I've not met the guys. So you'll have to tell me their names, and then I'll know who's playing on the team.

*Abbott:* Oh, I'll tell you their names, but you know it seems to me they give these ball players now-a-days very peculiar names.

...

Well, let's see, we have on the bags, Who's on first, What's on second, I Don't Know is on third...

*Costello:* That's what I want to find out.

*Abbott:* I say Who's on first, What's on second, I Don't Know's on third.

*Costello:* Are you the coach?

*Abbott:* Yes.

*Costello:* And you don't know the fellows'

names.

*Abbott:* Well I should.

*Costello:* Well then who's on first?

*Abbott:* Yes.

*Costello:* I mean the fellow's name.

*Abbott:* Who.

*Costello:* The guy on first.

*Abbott:* Who.

*Costello:* The first baseman.

*Abbott:* Who.

*Costello:* The guy playing...

*Abbott:* Who is on first!

*Costello:* I'm asking you who's on first.

*Abbott:* That's the man's name.

*Costello:* That's who's name?

*Abbott:* Yes.

*Costello:* Well go ahead and tell me.

*Abbott:* That's it.

*Costello:* That's who?

*Abbott:* Yes.

PAUSE

*Costello:* All I'm trying to find out is what's the guys name on first base.

*Abbott:* No. What is on second base.

*Costello:* I'm not asking you who's on second.

*Abbott:* Who's on first.

*Costello:* One base at a time!

*Abbott:* Well, don't change the players around

*Costello:* I'm only asking you, who's the guy on first base?

*Abbott:* That's right.

*Costello:* Ok.

*Abbott:* Alright.

PAUSE

*Costello:* What's the guy's name on first base?

*Abbott:* No. What is on second.

*Costello:* I'm not asking you who's on second.

*Abbott:* Who's on first.

*Costello:* I don't know.

*Abbott:* He's on third, we're not talking about him.

*Costello:* Now how did I get on third base?

*Abbott:* Why you mentioned his name.

*Costello:* If I mentioned the third baseman's name, who did I say is playing third?

*Abbott:* No. Who's playing first.

*Costello:* What's on base?

*Abbott:* What's on second.

*Costello:* I don't know.

*Abbott:* He's on third.

*Costello:* There I go, back on third again!

PAUSE

*Costello:* Would you just stay on third base and don't go off it.

*Abbott:* Alright, what do you want to know?

*Costello:* Now who's playing third base?

*Abbott:* Why do you insist on putting Who on third base?

*Costello:* What am I putting on third.

*Abbott:* No. What is on second.

*Costello:* You don't want who on second?

*Abbott:* Who is on first.

*Costello:* I don't know.

*Together:* Third base!

## **Appendix K**

### **List of contributors to the New Zealand Experiment**

- AB** An economist and advisor to governments; current Chairman of the Commerce Commission
- Bollard, A (1987) 'More market: the deregulation of industry' in A Bollard & R Buckle (eds) *Economic Liberalisation in New Zealand* Wellington: Allen & Unwin\Port Nicholson Press, pp. 25-45
- Bollard, A (1992) *New Zealand: Economic Reforms, 1984-1991* San Francisco: ICS Press
- JK** Jane Kelsey, Professor of Law at the University of Auckland
- Kelsey, J (1995) *The New Zealand Experiment: A World Model for Structural Adjustment?* Auckland: Auckland University Press/Bridget Williams Books
- RD** Roger Douglas, Minister of Finance in the Labour Government, 1984-
- Douglas, R (1993) *Unfinished Business* Auckland: Random House New Zealand Ltd
- JB** Jim Bolger, Prime Minister of New Zealand, 1990-1997 (he lost his leadership in a coup when he was out of the country in November 1997!)
- Graduate School of Business and Government Management (1991) *Partnership and Enterprise: Putting Porter into Practice* Wellington: Victoria University of Wellington
- NZBRT** Business Round Table; a 'think tank' of business 'leaders'
- New Zealand Business Round Table (1992) *From Recession to Recovery* Wellington: New Zealand Business Round Table
- L&P** John LeHeron, Professor of Geography, University of Auckland
- Associate-Professor Eric Pawson, Department of Geography, University of Canterbury, Christchurch
- LeHeron, R & E Pawson (eds)(1996) *Changing Places: New Zealand in the Nineties* Auckland: Longman Paul
- AS** Andrew Sharp, Professor of Political Studies, University of Auckland
- Sharp, A (ed) *Leap Into The Dark: The Changing Role of the State in New Zealand Since 1984* Auckland: Auckland University Press
- CB** Conrad Blyth, economist
- Blyth, C (1987) 'The economists' perspective of economic liberalisation' in A Bollard & R Buckle (eds) *Economic Liberalisation in New Zealand* Wellington: Allen & Unwin\Port Nicholson Press, pp. 3-24
- BE** Brian Easton, economist
- Easton, B (1997) *The Commercialisation of New Zealand* Auckland: Auckland University Press

## Appendix L:

### Words from a myth maker: An interview with Michael E Porter:

*Competitive Advantage: Creating and Sustaining Superior Performance* was published in 1985. The interview 'answers' attributed to MEP are from this book. For ease of reference, I have placed the page numbers at the beginning of each of the sentences, some of which have been shortened.

One quote is from the 1997 *Harvard Business Review* article, 'What is Strategy?'

#### CHRISTCHURCH 1997

**TOBY:** First let me say that I do appreciate your agreeing to be interviewed for my thesis. Because I knew that I would be interviewing you, I have been reading the academic literature concerning your contribution to strategic management. Most authors place you within a 'rationalist' paradigm.

However, my reading of your articles and books is that you could be located within a postmodern paradigm. Firstly, the interdisciplinary nature of much of postmodernism is evident in even your earliest writings. Huff & Reger and Mintzberg call for a crossing of boundaries. You appear to have made a conscious choice to do just that even before their suggestions. Boundary crossing seems particularly noticeable in *Competitive Advantage*.

#### MEP:

xvi It is not possible to acknowledge all the contributions in the various disciplines that have influenced in some way the ideas presented.

xvi Competitive advantage is hardly a new subject.

xvi This book cuts across many disciplines, because marketing, production, control, finance, and many other activities in a firm have a role in competitive advantage.

xvi A long tradition of research in business policy and in industrial economics bears on this subject.

xvi Competitive advantage cannot be truly understood without combining all these disciplines into a holistic view of the entire firm.

**TOBY:** It might be said that Chapter 6 'competitor selection', is a diatribe against monopoly, a plea for duopoly or evidence in support of the theory of oligarchy. However, I read the chapter as an early introduction of the concept of 'social construction' into the strategic management literature. It does seem to me that on a second and a third reading the moral flavour, or is it fervour, almost borders on ideology as suggested by Shrivastava. Would you say that it was an attempt to expound an ideology or is it a description of the practice of social construction?

#### MEP:

202 I show how a firm can influence whom it competes with.

212 In practice, a firm must understand where each of its competitors falls on the spectrum from good to bad and behave accordingly.

213 A good competitor understands and plays by the rules of competition in an industry, and can recognize and read market signals.

221 Some bad competitors will never become good competitors.

220 A firm must be prepared to fight battles in order to convert bad competitors into good ones.

214 For example, a foreign competitor entering what it perceives as a strategic market is usually a bad competitor.

- 214 Its stakes are too high, and it may also not understand the rules of the game.  
226 These considerations suggest that a firm must continually work to manage its competitors' expectations and assumptions.

**TOBY:** A third postmodern concern is plurality. The privileging of plurality is most noticeable in Chapter 13 when you write about uncertainty and industry scenarios. I understand that a variety of options would be a departure from the commonly held view that you are only concerned with prescription. For instance, Berry & Elmes argue that your books are popular because of the 'ready made' identities available for managers. Have you changed your view?

**MEP:**

- Competitive strategy is about being different. *What is strategy? HBR 1997: 64*  
481 Scenarios aim to stretch thinking about the future and widen the range of alternatives considered.  
446 The future industry structure under each scenario will usually have different consequences for different competitors.  
446 Competitors will respond to structural change in ways that reflect their goals, assumptions, strategies, and capabilities.  
470 Scenarios aim to reduce the chances that actions taken to deal with one element of uncertainty in an industry will unintentionally worsen a firm's position vis-a-vis other uncertainties.  
448 An industry scenario is not a forecast but one possible future structure.

**TOBY:** In my own work I have chosen to focus on three postmodern concerns as part of the production of my thesis. It seems to me that these particular concerns-- discourse, fragmented identities and research as resistance-- are also evident in your writings.

Although you do not claim membership within a postmodern tradition, I think that you have indeed created a discourse of strategy which centres around 'generic strategies'. I haven't read all the recent 'strategic management' texts, but those which I have read, have 'generic strategies' attributed to you in a prominent position.

**MEP:**

- 12 The notion underlying the concept of generic strategies is that competitive advantage is at the heart of any strategy.

**TOBY:** I have also noticed that the discourse has moved beyond academia. It seems that you have created a 'common' business discourse as well. The managers in my study did not say 'low-cost leader' or 'differentiation' or 'focus', but they all talked about their niche market, selling on price and how they were different from everybody else.

I know that you say firms must make a choice to gain and sustain a competitive advantage but a number of studies such as Miller and Dess, Bowman, Miller & Friesen and my own, indicate that managers don't make a choice; they use all the strategies. As far as you are concerned they are 'stuck in the middle'. I don't want to debate whether or not this is an accurate state of affairs, but I do want to suggest that 'stuck in the middle' has entered the lexicon of strategic management along with the generic strategies. Are these expressions, as part of the 'competitive strategy' discourse, traceable to your influence?

**MEP:**

- 11 While selecting and implementing a generic strategy is far from simple, they are the logical routes to competitive advantage that must be probed in any industry.

- 13 If a firm can achieve and sustain overall cost leadership, then it will be an above-average performer in its industry provided it can command prices at or near the industry average.
- 14 A firm that can achieve and sustain differentiation will be an above-average performer in its industry if its price premium exceeds the extra costs incurred in being unique.
- 20 Each generic strategy involves different risks.
- 16 In most industries, quite a few competitors are stuck in the middle.
- 17 Becoming stuck in the middle is often a manifestation of a firm's unwillingness to make choices about how to compete.
- 17 It tries for competitive advantage through every means and achieves none.

**TOBY:** I can see that you are still committed to your view of the world, so let's move to another postmodern concern which I hope will be less contentious.

I notice that 'fragmented identities' is a category which could be applied to your five forces frame, the value chain and your focus on segments in *Competitive Advantage*. These fragments from business policy, industrial economics and marketing seemed to have been re-presented in a 'simplified' visual form which appeals to managers, based on the popularity of your books. The ideas which have been imported from the other disciplines appear to make a whole which is larger than the sum of the parts.

These ideas appear to me to be clearly related to the definition of industries. The fragmented nature or lack of easily identifiable boundaries of industries is not, I think, captured in the attempt to find 'commonalities' but may be captured in the 'differences' which you appear to focus on.

When did you notice that the fragments were greater than the whole?

**MEP:**

- 5 Some very mundane industries are extremely profitable.
- 7 The industry trends that are the most important for strategy are those that affect industry structure.
- 7 The five-forces framework does not eliminate the need for creativity in finding new ways of competing in an industry.
- 7 Instead, it directs managers' creative energies toward those aspects of industry structure that are most important to long-run profitability.
- 27 The value chain provides a way to identify a firm's sources of differentiation.
- 27 Differentiation results from both actual uniqueness in creating buyer value and from the ability to signal that value so that buyers perceive it.
- 28 Segments stem from intraindustry differences in buyer needs and cost behavior.
- 28 Segmentation is clearly pivotal to the choice of focus strategies.

**TOBY:** I have personally attempted to write within a postmodern sensibility some would classify this as 'research as resistance' against privileging and dominating discourses. This is because of the indeterminacy that is evident in my findings and conceptualizations. It seems to me that you also use 'research as resistance', especially in *Competitive Advantage*. One might say that indeterminacy was the hallmark of some of your writing.

I know that I have already asked you about the creation of a competitive strategy discourse, but it seems to me that your views of 'stuck in the middle' are an especially good example of the myriad of possible metaphors available. Would you just outline your views on "stuck in the middle" again?

**MEP:**

- 16 A firm that engages in each generic strategy but fails to achieve any of them is “stuck in the middle.” It possesses no competitive advantage.
- 16 This strategic position is usually a recipe for below-average performance.
- 16 A firm that is stuck in the middle will compete at a disadvantage because the cost leader, differentiators, or focusers will be in a better position to compete in any segment.
- 17 A firm that is stuck in the middle will earn attractive profits only if the structure of its industry is highly favourable, or if the firm is fortunate enough to have competitors that are also stuck in the middle.
- 17 Becoming stuck in the middle also affects successful firms, who compromise their generic strategy for the sake of or prestige.
- 18 If a firm can achieve cost leadership and differentiation simultaneously, the rewards are great because the benefits are additive--differentiation leads to premium prices at the same time that cost leadership implies lower costs.
- 19 Where competitors are stuck in the middle, none is well enough positioned to force a firm to the point where cost and differentiation become inconsistent.

**TOBY:** So what you are saying is that firms can use one, two, three or four of the generic strategies. Again I would say that if indeterminacy and plurality are hallmarks of the postmodern discourse, future scholars will have to rethink your position within the field of strategic management. Placing you within a ‘rational positivist’ location may have been a bit hasty.

I am sure that we could continue this ‘conversation’ for a long time. But at this point I would like to say thank-you for taking time out of your busy schedule to speak with me. I can only hope that I don’t get “stuck in the middle” as I work my way through my thesis.

## A TRAIL OF TALES

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